



COLORING YOUR SUCCESS

# ANNUAL REPORT

## 2020/2021





# WE ARE HOLLAND COLOURS

*"At Holland Colours, every employee is a co-owner and owners know that the first step to success begins with adding value for our customers."*

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# INTRODUCTION BY THE CEO

## Dear shareholders, employees, customers and business partners,

This time last year, our auditors informed us that we would be one of the first Dutch companies to have to include a special reference to COVID-19 in its Annual Report. Back then, the uncertainty was huge, and we saw many manufacturing companies having to scale down or cease operations temporarily.

Our priority was to ensure the safety of our people, which we did by taking appropriate measures at our locations. With those in place, we could then focus on keeping our customers supplied.

### HEALTHY BALANCE SHEET

I am very proud of how the organization adapted to COVID-19 and the eagerness and commitment of everyone to step up and take responsibility. People at all our locations were proactive and engaged, reacting quickly and showing a deep understanding of the need to manage this crisis together.

Obviously, many factors were out of our hands, but because of a healthy balance sheet the continuity of our Company was never at stake. The organization did a good job of managing our costs. We also postponed some investments and delayed filling vacancies. Later, as it became clear that market demand was picking up again and our cash flow was holding up, we relaxed some of these decisions. Although revenues decreased by 5% compared with the previous year, the ROS (Return on Sales) rose to 12.9%, an increase of 2.3 percentage points versus the previous year. Based on these results, we propose to pay a final cash dividend for 2020/2021 of € 5.50 per share.

### TOP LINE GROWTH AND EXCELLENCE INITIATIVES

Besides testing our Company's crisis management skills, the COVID-19 pandemic has taught us a few other things. We remain convinced that our strategic road map continues to be valid, and that top line growth and excellence initiatives continue to be key drivers for

value creation. The world around us is changing fast, and the last year has really driven home just how much factors like digitalization and data, market knowledge, online marketing, breakthrough solutions, process optimization and personal competencies will become critical success factors for our business.

### SUSTAINABILITY INCLUDED IN STRATEGY

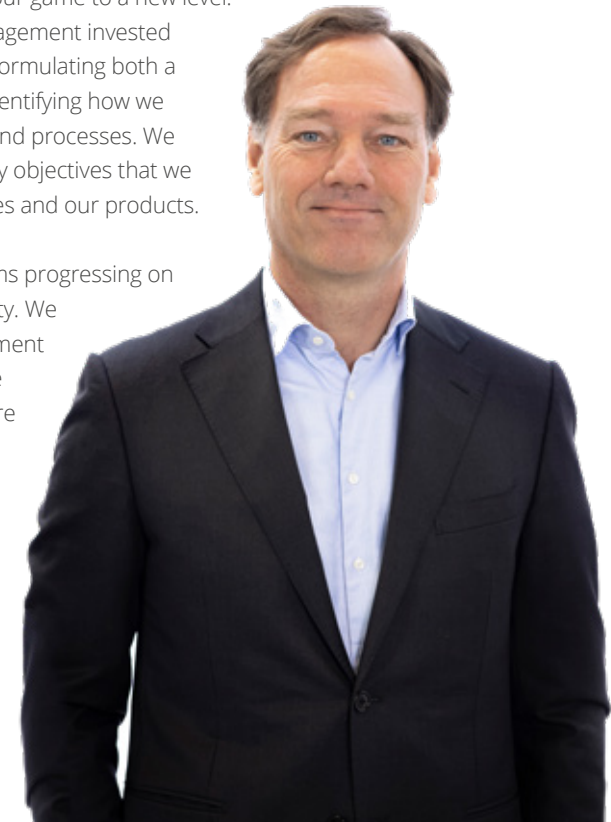
At the same time, we will include a further element in our strategy: sustainability. This is something we have paid increasing attention to over the last decade, but in 2020/2021, we began taking steps to raise our game to a new level.

The Board of Management and senior management invested time and effort in defining, developing and formulating both a sustainability vision for our Company and identifying how we can embed this vision in our daily mindset and processes. We are committed to achieving the sustainability objectives that we set with respect to our people, our processes and our products.

With national COVID-19 vaccination programs progressing on a global scale, there are grounds for positivity. We are cautiously optimistic about the development of global markets, but like previous years we refrain from providing estimates about future revenues and results.

Finally, I would like to thank all our employees and stakeholders for their effort and for their commitment to the success of Holland Colours.

**Coen Vinke**  
CEO





## Our Profile

## HIGHLIGHTS

We have been the frontrunners in eco-friendly colorants since our founding in 1979, back when sustainability and being 'green' were not on most people's minds. We created and will continue to develop sustainable products in partnership with our customers.

**42**  
**years**

of color  
formulation  
experience

SINCE  
1979

NETWORK OF  
**100**

suppliers, distributors  
and agents



**GLOBAL SUPPLIER**  
of plastic colorants  
and additives

**COLORING  
YOUR  
SUCCESS**



**2,000**  
customers in  
**85 countries**



**billion kg**  
of plastic products  
colored by  
Holland Colours  
each year

# OUR HISTORY

## THE FOUNDING OF CURRENT LOCATIONS

More than 40 years ago, the founders of Holland Colours set to work in an old paper factory in Apeldoorn, the Netherlands. A small but ambitious team, they had an idea that would ultimately disrupt the world of colors – and earn them the predicate ‘pioneers’.



**Apeldoorn,  
the Netherlands**

1979



**Richmond,  
Indiana,  
United States**

1986



**Toronto,  
Canada**

1988



**Surabaya and  
Jakarta,  
Indonesia**



**Gillingham,  
United Kingdom**

1990



**Szolnok,  
Hungary**

1992

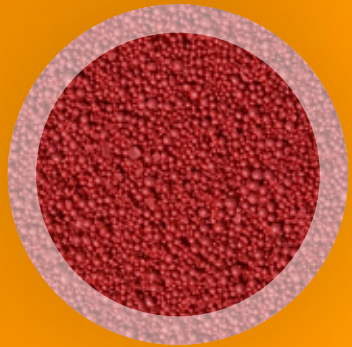


**Tultitlán,  
Mexico**

1995

“Today, we are one global team of over 400 colleagues with different experiences and various backgrounds. But, we all share the same core values, passion for color, commitment to our customers, and pride in our company.”

# OUR PRODUCTS



## Holcobatch®

Microbeads and an eco-friendly carrier, with a low melting point and support for ultra-low dosing. Holcobatch is typically used for light color applications and delivers the highest coloring homogeneity. Use for transparent applications.



## Holcolex

This liquid colorant based on water and glycol is designed for use with waterborne systems. Use for waterborne paints and coatings, adhesives, liquid soaps, windshield wash and antifreeze.



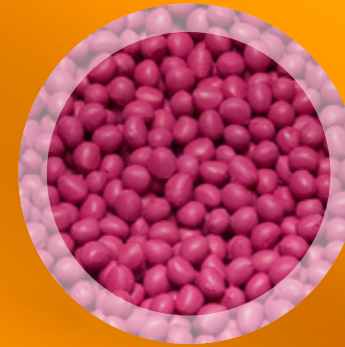
## Holcoprill

Cylindrical granulates, based on a natural carrier and showing a low melting point. Holcoprill is highly concentrated and is designed for use at high dosing levels. Use for transparent and opaque applications.



## Holcosil

Liquid colorants for silicone sealants, comprising three versions for different applications covering building and construction, injection molding silicone rubbers and extrusion and hot press molding of silicone rubber.



## Holcopearl®

Round granulates, based on a polymeric carrier and suitable for low dosing. Holcopearl is a great colorant for ABS, flexible PVC applications, polyolefins and PET. Use for transparent and highly opaque applications.



## Holcomer

A plastic packaging additive that protects dairy products from the effect of light. The Holcomer family provides superior opacity for UHT milk packaging. We also offer low TiO<sub>2</sub> versions.



# THE DRIVERS OF A FUTURE-ORIENTED BUSINESS

The theme of the 2020/2021 Holland Colours Annual Report is **responsibility. Responsibility for our planet, for our employees, for our customers and for their customers. Responsibility for their safety and for the sustainability of what we do as a Company and the impact we have.**

You only have to read your news feed, watch TV or shop online to know that responsibility and sustainability are trending topics for pretty much every business today. And this is also true of Holland Colours. But there is a crucial difference. We are not new to sustainability. In our case, what is new is not that we are going to focus on sustainability, but that, as you can read elsewhere in this report, we are aiming to take sustainability to the next level by putting even more emphasis on something that has been in our DNA since day one.

## A SUSTAINABLE BUSINESS SINCE 1979

As a business, we color the world. We create and manufacture high-quality solid and liquid color- and additive concentrates. Our products are designed to be ideal for coloring and adding functionality to a variety of polymers for building & construction and packaging applications, and coatings, sealants and adhesives. But just as important as what we do is how we do it: responsibly.

Responsibility, along with business opportunity and a passion for innovation, was the principal driver behind the establishment of Holland Colours back in 1979. Driven by an idea that they hoped would transform the world of plastic colorants, the Company's founders set up a new business in an old paper factory in Apeldoorn, the Netherlands.

Back then, PVC was colored by adding dry pigments, a process that would create dust that the people working with them would then breathe in. The Holland Colours concept was to instead encapsulate these colorants, bind them in a carrier. This would improve color distribution, improve people's health and make working with plastic colorants

## PLASTICS ARE ESSENTIAL

Strong, lightweight and moldable, plastics are used in thousands of products that add comfort, convenience and safety to our daily lives. Plastic helps to prevent food waste with excellent sealing and enhanced durability and is widely used instead of wood by the ecological building & construction industry.

Adding color to plastic and coatings creates emotion, affects behavior, aids identification and supports safety, depending on the purpose and application. Together with our customers, we co-design sustainable colorants and additives that are efficient, effective and esthetic.



easier as well as safer. Even better – viewed with the benefit of hindsight – the carrier they developed to do this was a natural, vegetable-oil based sustainable product.

## FROM RESPONSIBLE PRODUCTS TO SUSTAINABLE PRODUCTS

The first product to emerge from all this R&D was Holcobatch®. Still made today, the underlying technology and encapsulation know-how support a whole variety of 'Holco' colorant products for the building & construction and the packaging markets. These include high-loaded Holcoprill for the packaging and building & construction markets and Holcomer for the dairy PET packaging industry, where opacity is crucial.

## THE DRIVERS OF A FUTURE-ORIENTED BUSINESS

We continue to work on new applications for our sustainable carrier technology. In addition to our bio-based color concentrates, we now use the same technology to make additive concentrates, including some specifically designed to support packaging, product or process sustainability, and to enhance bottle recycling. Low dosing, enhanced recyclability and reductions in scrap rate and energy consumption are the key drivers. TasteGuard, for example, helps to ensure that bottled water tastes of water, not the container they come in. LightGuard extends the shelf life of teas and juices by protecting them against UV. TintMask counteracts the yellow appearance of recycled PET bottles, boosting their acceptance among consumers. FastHeat reduces the energy needed to produce PET bottles. Holcomer Thermostretch complies with new EU regulations to limit the use of titanium dioxide, while reducing the energy consumption during the bottle blowing process.

As our portfolio has grown, so has our business. The Company that started in the Netherlands now covers the world from manufacturing and sales locations in the Netherlands, the United States, the United Kingdom, Hungary, Indonesia, Canada and Mexico. From here more than 400 employees serve local and global customers.

## A RESPONSIBILITY TO OUR COLLEAGUES

None of this would be possible without great people. Here, too, responsibility is key. A sense of responsibility is why Holland Colours believes in the employee co-ownership model. See the section on Employee Participation (page 49). Because of this, our employees – the people who make Holland Colours what it is – have a strong commitment to the Company and the business.



## OUR MARKETS

Holland Colours' first customers were PVC pipe manufacturers supplying the building & construction industry. Today, our presence in that industry covers a wide range of products and applications where good dispersion is a key factor. These applications include profiles, sheets, siding, cladding, sealants and flooring.

We entered the packaging market later, but today it is a fast-growing part of our business and another showcase for our expertise. There are various trends at play in this market. These include thinner-wall bottles, improved food safety and a growing interest in bio-based and recyclable packaging solutions. We partner with small, medium and large customers to produce packaging for water, carbonated soft drinks, fruit juices, dairy, beer, wine, detergents, pharmaceutical and personal care products. With our wide market experience and strong R&D knowledge base, Holland Colours is well-equipped to support the evolution of this market going forward.

THE DRIVERS OF A FUTURE-ORIENTED BUSINESS

# OUR MISSION

Employee co-ownership also underpins our mission and helps us to deliver on it. Our mission is two-fold:



TO BE  
RECOGNIZED AS A  
**CONTRIBUTOR TO  
THE DEVELOPMENT  
OF A SUSTAINABLE  
INDUSTRY**



TO BE OUR  
CUSTOMERS'  
**CO-DESIGNER  
OF COLOR AND  
FUNCTIONAL  
SOLUTIONS**

## THE DRIVERS OF A FUTURE-ORIENTED BUSINESS

# OUR CORE VALUES: PROVIDING A FRAMEWORK FOR SUCCESS

Underpinning everything are our core values. These are based on the insight that as the market for colorants becomes more competitive, and good products become the rule rather than the exception, successful companies will need to find additional ways to differentiate themselves.

Our five core values that lay out how we work:



## ACCOUNTABILITY

We can be trusted that we take responsibility for what we do (and do not do).



## COMPETENCE

We have the skills and expertise to do things well.



## PRO-ACTIVENESS

We make things happen instead of waiting for them to happen to us.



## TEAMWORK

We work together to achieve one common goal.



## RESPONSIBILITY

At Holland Colours, we are committed to our company, our colleagues, our society and our environment.

## Safety

We believe in fostering a safe and healthy working environment for our employees. Our aim is zero accidents. We therefore create the right conditions for all our employees to give their best each day, and we take every opportunity to learn as much as possible from daily practice. In 2020, we introduced the 'Safety Culture Ladder' in each of our divisions to increase our safety awareness.

## Sustainability

Our sustainable carrier technology is used to color a wide range of plastics, including those recovered from the Great Pacific Garbage Patch. In addition to the sustainability of our products, we value sustainable processes and human health, and we promote social and economic development in the countries and communities in which we operate. We feel that genuine corporate social responsibility is an integral element in ensuring business continuity and business success.





## AIMING FOR ZERO ACCIDENTS

We are determined to provide a safe and healthy working environment. We therefore aim for zero accidents. We continuously train our people and work to create the right conditions so each of us can do our best every day.

As part of this, we encourage everyone to report not only accidents and near-misses, but incidents as well. Incidents are things we see or experience that are or could be dangerous, but which thankfully have not led to an accident. Therefore, the more incidents we report, the fewer accidents there will be as it means we can act to prevent them.

## THE DRIVERS OF A FUTURE-ORIENTED BUSINESS

### COLORING YOUR SUCCESS RESPONSIBLY

Our brand stands for 'Coloring Your Success' by combining knowledge, dedication, passion and skills to enhance our customers' success and the success of their customers. We work collaboratively to create precise color matches, perfect color distribution and enhanced color consistency. We offer consistent and sustainable global production, reliable supply and logistics, top quality R&D and excellent customer care and project support, all to help our customers in growing their business. And crucially, we do this responsibly. We want to color today's world while simultaneously protecting our planet for current and future generations.

## OUR DIFFERENTIATORS



We develop existing and new customer relationships into **design partnerships**.



Our employees are co-owners of the company and we are proud to provide the highest levels of **service to our customers**.



We do not compromise on regulatory compliance and we maintain the **highest quality standards**.



We continuously build our **competence** and strengthen our **innovation** capabilities.



## Focus on Responsibility

# SAFETY & SUSTAINABILITY

**Responsibility is one of Holland Colours' five core values, along with Teamwork, Proactiveness, Accountability and Competence, and it is something that has been very much top of mind in 2020/2021.**

As a Company, we define Responsibility as covering the sustainability of our products and processes, and the safety and health of everyone who works at Holland Colours or comes into contact with our Company or products. In 2020/2021, we introduced a new safety program and took new steps in our sustainability commitment.

## SAFETY FIRST

We work in a complex industry involving the use of chemicals that must be treated with respect. We also work in a manufacturing environment filled with heavy equipment. Our goal is to go for zero: zero accidents. In 2020/2021, we reported three accidents more and 13 fewer incidents compared to the previous year.

We are dissatisfied with this result and have further increased our focus and attention on creating safety awareness and behavior.

In 2020, we introduced the 'Safety Culture Ladder' in each of our divisions. The rollout was staggered and very much impacted by the burdens and restrictions placed on the organization by COVID-19. However, despite being unable to move as quickly as we had hoped, we succeeded in laying solid foundations for an upgrade in our safety mindset.



FOCUS ON RESPONSIBILITY: SAFETY & SUSTAINABILITY

## THE SAFETY CULTURE LADDER

5

### PROGRESSIVE

Safety is a standard part of contractors' operational processes as well, and safety is ingrained in the thinking and behavior of all employees.

4

### PROACTIVE

Safety is a top priority and is treated proactively within the Company's operations. Along with structural investments in raising safety awareness, employees are encouraged to raise unsafe behavior with each other.

3

### CALCULATING

The Company pays attention to health and safety and has clear safety rules, but safety is seen mostly as a senior management task.

2

### REACTIVE

The Company generally only tightens safety after something has gone wrong and employees do not generally feel responsible for their own or their colleagues' safety.

1

### PATHOLOGICAL

The Company's attitude is that it does not have accidents so does not need to invest in safety.

## FOCUS ON RESPONSIBILITY: SAFETY &amp; SUSTAINABILITY

## THE SAFETY CULTURE LADDER

The Safety Culture Ladder aims to embed a consciously proactive attitude to safety within organizations. The goal is to reduce the number of unsafe situations and so cut the number of accidents and near-misses. Doing so involves both following the rules, plus, and this is key, actively thinking about, spotting and flagging safety risks as people do their work. This approach to safety is all to do with attitude, behavior and culture. Do people feel they can raise what they see as an unsafe situation? Do they recognize potentially unsafe situations? Is safety discussed regularly and do employees feel heard on safety issues? The ladder was originally developed for the construction industry, which employs a lot of onsite contractors, and has five steps. The fifth step is less applicable to Holland Colours and our goal is to achieve Step four: Proactive.

## SAFETY DEVELOPMENTS IN THE AMERICAS

The Americas organization worked hard in 2020/2021 to introduce the Safety Culture Ladder. Following a retirement, a new Safety Manager was appointed in the US and the position was redefined as a full-time role. A safety audit was also held to establish an initial benchmark.

COVID-19 inevitably had an impact on the program's roll out. The plant in Richmond moved to staggered shifts and teams were placed in cells. These measures both impacted efficiency and made it impossible to move people between teams.

They also limited the ability to run informal safety audits and share safety knowledge easily. The division did however implement housekeeping safety walks in the operations in Richmond and implemented a number of other COVID-19 related safety items.

Looking forward to the easing of COVID-19 restrictions, the division plans to put renewed emphasis on the process of creating a culture change. A key element will be to change the perception of 'incidents' as being a bad thing. In safety culture terminology, an incident is a report of a potential safety issue. Having people report more incidents is therefore good rather than bad as it means they are paying more attention to the issue and acting proactively.

## SAFETY DEVELOPMENTS IN ASIA

Introducing the Safety Culture Ladder and combatting COVID-19 were, as elsewhere in the Company, the two main safety themes within Holland Colours Asia in 2020/2021. The Safety Culture Ladder concept received the explicit backing of senior management in Asia, a factor that will help to drive its adoption. Various departments completed self-assessment questionnaires, and the organization developed an action plan based on these. The plant in Surabaya holds safety briefings every morning, the local Occupational Safety and Health Committee meets at least every three months, and subcontractors are also given strict safety briefings before they start work. A number of people have also been trained in the ISO 45001 standard for managing health and safety, and some employees are scheduled to receive safety training and environmental training through external parties.

As elsewhere, Holland Colours Asia took every measure to anticipate and help defeat the COVID-19 pandemic. These efforts included social distancing, departmental separations, emphasizing hygiene, temperature checks for employees and visitors and providing masks for all employees.

## SAFETY DEVELOPMENTS IN EMEA

The EMEA division launched its Safety Culture Ladder program in Apeldoorn, Szolnok and Gillingham in the second half of 2020 and began by conducting a benchmark.

The division put together an action plan based on five points and the Plan, Do, Check, Act model. The primary aim was to achieve a mindset shift from treating safety as a technical issue to treating it as something that also involves each individual and their general safety awareness:

1. Focus on safety roles, regulations and safety expectations.
2. Communicate the rules via posters, memos, departmental meetings and one-to-one meetings to promote the message.
3. Train people to conduct safety audits or to check equipment.
4. Audit locations by getting people to look around with a proactive safety mindset all the time, and to speak out if necessary.
5. Analyze data, actions, incidents and events to shape next year's plan.



## FOCUS ON RESPONSIBILITY: SAFETY & SUSTAINABILITY

A follow-up questionnaire in early 2021 found that employees had a better understanding of the regulations and rules, there were more departmental meetings about safety and more incidents were being mentioned.

COVID-19 was, of course, a factor in the rollout of the Safety Culture Ladder in our European facilities. While the extensive and strict precautionary measures the division took helped to increase general awareness of health and safety, they also hindered the implementation of some routine safety protocols.

## PUTTING SUSTAINABILITY FRONT AND CENTER

Part of our mission is 'to be recognized as a contributor to a sustainable industry'. This involves working as a co-design partner to create solutions that support our customers in their sustainability goals and, through this, contributing to the creation of a sustainable society.

Sustainability has always been central to our pigment encapsulation technology, but over the last decade we have increasingly felt that we can and should do more. Although we began measuring and reporting our sustainable footprint in 2013 – CO<sub>2</sub> emission, waste, safety figures, energy use, raw material use and other criteria – plus creating awareness about the importance of our footprint, we had not yet developed a vision about sustainability at Holland Colours.

At the same time, the perception of sustainability among our customers and society was shifting from a nice-to-have benefit to a must-have requirement. More widely over the last decade, the definition and ambition of sustainability has grown worldwide as the climate change emergency, the circular economy concept and the focus on plastic waste have moved up the political, economic and social agenda. Regulatory changes underline this shift.

The impact of these changes is most obvious in the use of colorants and additives for packaging. However, we see the same trend in building & construction and in applications like coatings, sealants and adhesives. Clearly addressing sustainability issues and circular economy requirements is going to be a key issue for the ongoing continuity of Holland Colours.

### FROM HAVING A MISSION TO HAVING A VISION

The Company's 2019 strategy review identified recyclability as one of the megatrends that would impact Holland Colours. It was a threat, but it could also offer us an opportunity. Based on this insight, we developed our mission, with its reference to sustainability, and began thinking what our future role could be. For instance, what did 'being sustainable' mean to us as an organization? Where and how could we contribute to improving our sustainability? What could we do for our customers and their customers regarding sustainability? How could we contribute to a circular economy? Creating a sustainability vision would enable us to answer these questions. Doing so would also enable us to align with and respond to wider changes in society. Although we decided to focus on our growth strategy first, the commitment remained.

In 2020 and 2021, we began developing what will be the next step going forward. We talked with other companies and organizations that are passionate about sustainability. We partnered with The Ocean Cleanup to develop a colorant for sunglasses made from plastic reclaimed from the Pacific Ocean. And the Board of Management and senior management held several workshops on the topic. The parameters were that any vision should be challenging but achievable and true to Holland Colours' DNA: our history, mission, core values and our Coloring Your Success brand positioning.

The result was this vision:

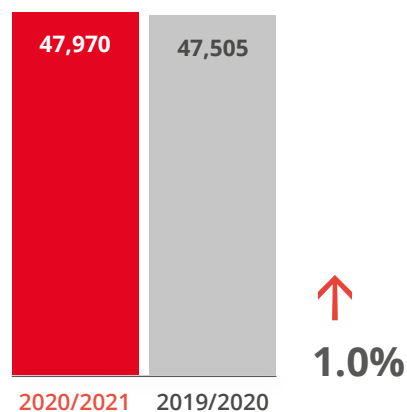
**"We envision a colorful world in which we are the winning sustainable solution."**

## FOCUS ON RESPONSIBILITY: SAFETY &amp; SUSTAINABILITY

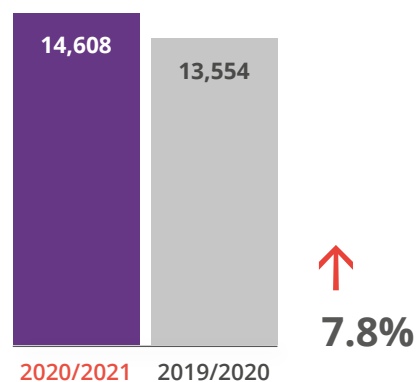
## CSR FIGURES



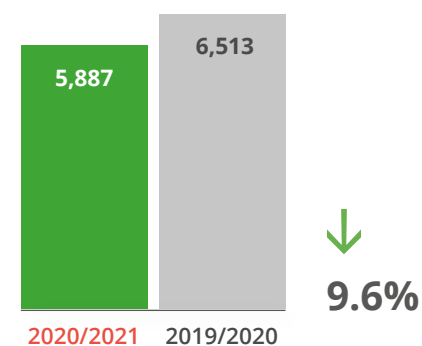
Energy  
Consumption  
In millijoule



Materials  
In tons



Emissions  
In tons (CO<sub>2</sub> equivalent)



## Water consumption

In m<sup>3</sup>

2020/2021  
2019/2020

25,677  
19,500

## New hires by gender

In total

2020/2021  
2019/2020

18  
28

+

15  
20

=

33  
48

## Waste

In tons

2020/2021  
2019/2020

1,008  
983

## Diversity &amp; Equal Opportunities

In %

2020/2021  
2019/2020



EMPLOYEES  
24  
25

MANAGEMENT  
25  
26





Photo: Morssinkhof

## TURNING THE VISION INTO ACTION

The next step is to embed the vision in the organization and to start to use it to drive our business. The question: where, on what and how should we focus?

Delivering on any strategy requires commitment, which we have, and tools, which we need to develop. The team investigated the sustainability focus of a number of our customers, brand owners and competitors. The parameters for this research were the 17 United Nations Sustainability Development Goals (SDGs). Which of the SDGs did our customers consider to be most important? What about brand owners? Industry peer group? Which of the SDGs did our senior management feel mattered most to them and to their customers?

### THE SDGS FOR HOLLAND COLOURS

Based on the findings, the team plotted a heatmap to show the most common overlaps. Next, they brainstormed the findings and selected six SDGs that they felt were most relevant to Holland Colours internally, as well as to our customers, brand owners and competitors.

These SDGs are:

- 3 Good health and well-being;
- 7 Affordable and clean energy;
- 8 Decent work and economic growth;
- 9 Innovation and infrastructure;
- 12 Responsible production and consumption;
- 17 Partnership.

# OUR VALUE

Based on the selected SDGs, we defined three focus areas:

WE ENVISION A  
**COLORFUL** WORLD  
IN WHICH WE ARE  
THE **WINNING**  
**SUSTAINABLE**  
SOLUTION



## OUR PEOPLE



We protect the safety, health and welfare of HCA employees and offer development opportunities to all. Given our geographical spread, we consider it important to employ nationally.

We invest at least 2% per year of our personnel expenses in responsible care for our employees. This investment is used to deliver training, for individual and team development and/or as time that can be spent on local social aid activities.<sup>1</sup>

## OUR PROCESSES



We service our customers with products that are produced regionally, and we design our processes to support the sustainable use of energy and raw materials.

By 2030, we will have reduced the CO<sub>2</sub> impact of our operational activities by between 30% and 50%.<sup>2</sup>

## OUR PRODUCTS



Together with our customers and partners, we co-create sustainable solutions and develop products that enable recycling, the reduction of food waste and the reduction of energy consumption.

We will structurally increase our annual investment in innovation. By 2030, 90% of our revenue will be based on products that contribute to sustainability.<sup>3</sup>

<sup>1</sup> People: historically, expenditure on responsible care has been 1% of personnel expenses.

<sup>2</sup> Processes: the baseline for comparison of CO<sub>2</sub> emissions per unit sold is 2015.

<sup>3</sup> Products: a definition and baseline for comparison for this objective are in development.

## FOCUS ON RESPONSIBILITY: SAFETY &amp; SUSTAINABILITY



We join forces with value chain partners, recyclers, research organizations and NGOs to share our knowledge and resources, working together to curb the plastic pollution problem and create a circular economy.

**CONTINUING THE JOURNEY**

For each focus area we will decide what to do from a sustainable perspective. We can also use the focus areas to define new opportunities. Together, the choices we make will help us become the winning sustainable solution to our customers' colorant needs.

Over time, this aspect of sustainability – as a key consideration in making business decisions – will become more pronounced in determining what we do. Sustainability will become not only a long-term goal, but also a series of shorter-term actions along the way. Ultimately, we will redefine 'success' so that it includes sustainability as well as creating shareholder value.

Delivering on our sustainability vision is a journey, and the steps we took in 2020/2021, while important, mark the start of a new phase in our story. The sustainability vision and tools lay the foundation for us to play a more active role in enabling sustainability. They also make it possible to develop a proud story about our contribution. By outlining it here, we are making a commitment to our stakeholders that we, as a Company, are serious about delivering a colorful world in which we are the winning sustainable solution.

# REPORT OF THE BOARD OF MANAGEMENT



## Board of Management

Position

Year of birth

Nationality

Joined Holland Colours NV

Appointment to position

### Coen Vinke

CEO

1963

Dutch

May 1, 2018

July 12, 2018

### Tanja van Dinteren

CFO

1972

Dutch

June 1, 2020

July 16, 2020

### Eelco van Hamersveld

CTO

1969

Dutch

December 1, 2017

July 12, 2018

The Board of Management consists of three members following the appointment of Tanja van Dinteren at last year's Annual General Meeting of Shareholders to fill the vacant CFO position.



## REPORT OF THE BOARD OF MANAGEMENT

## Introduction

Holland Colours' 2020/2021 financial year turned out to be better than we could have expected at the outset. In April 2020, COVID-19 was starting to push more and more of our markets into what would become a series of lockdowns, sparking widespread fears of global economic instability and recession.

Against this background, our Company performed well. The initial decline in revenues was compensated by the steps we took to control our costs and by the cost-reduction impact of events beyond our control, such as restrictions on travel. Our geographic, product and market mix provided a dynamic buffer to constantly shifting demand over the course of the year, and even though we could not visit our customers easily, or in some cases at all, we continued to serve them well.

In this section of the Annual Report, we look at Holland Colours' performance for the 2020/2021 financial year, shed light on the impact of COVID-19 on our business, and highlight the steps we took to continue our growth ambitions over the longer term.

## COVID-19

Our priority at the outset of the COVID-19 pandemic was to first take care of our employees. The divisions took various steps, including introducing new work schemes, and our people acted carefully and responsibly to minimize the chances of the coronavirus entering Holland Colours. This enabled us to continue to supply our customers in line with our agreements.

Overall, we showed our flexibility as an organization through the way we adjusted to the new situation. For example, our employees could not travel, but they did a tremendous job of staying in touch with customers through online media, podcasts, webinars and virtual trade exhibitions. Increasing the use of digital media is in line with our online strategy, but the rollout of this was accelerated by COVID-19. The response from customers was very positive.

We also took several strategic measures in the first half of the year to protect our Company. While the continuity of Holland Colours was never at stake, we considered it wise to be prudent. We therefore suspended planned strategy-related investments in new machinery and software, placed a freeze on new hires and we decided not to pay a dividend. When it was certain that our cash flow was holding up, we distributed an interim dividend in November 2020 and the investment pause was lifted in the second half of the financial year.

## Strategic Update

Over 40 years, Holland Colours has grown into a global-local Company with revenues of some € 100 million. This achievement is due to the high engagement levels of our employees and our problem-solving mentality. But the capabilities that got us to this point are not the ones that will ensure we thrive in a changing competitive landscape. While problem-solving and self-direction will remain important, we also need to become more competence-focused (our individual ability to adapt), more proactive, more systematic and more process-oriented.

This is the basis of Growing Together 2023. This growth strategy focuses on growing our presence in defined segments and markets – organic growth – and also pursuing excellence by focusing on the way we work as well as the result. In other words, how we get to a particular goal – launching a product, supporting a new customer or meeting a new customer request, etc. – matters just as much as what we deliver.

### STANDSTILL YEAR

2020/2021 was a standstill year in terms of achieving our growth ambitions. Compared to the previous year, revenues declined. We noticed a recovery in the last months of the financial year. The timing and speed of contraction and recovery varied per division and market segment. The Americas had a very strong second half. Asia had a good first half due to stockpiling in some major export markets and, as a consequence of this, a slow second half. In EMEA, we saw a major downturn in Q1 followed by a recovery from Q2 onwards. Our Innovation Index – the percentage of current revenue from products launched in the last five years – was 12.9%, above our 10% target.

## REPORT OF THE BOARD OF MANAGEMENT

“Our overall growth strategy has not changed. We will continue to focus on achieving organic growth and to drive towards excellence.”

While COVID-19 prevented us from maintaining the upwards revenue growth momentum of previous years, we did resume work on our excellence programs in the second half of the 2020/2021 financial year. Also the planned investment in a new extruder at our plant in Indonesia went ahead, and the new machine is due to come online in early June 2021. We also increased production at our plant in Hungary, where we concentrated the production of Holcoprill for the EMEA division, and we concentrated Holcopearl® production at our site in the Netherlands. We completed last year's infrastructure modernization at our Hungary site.

**UNCHANGED STRATEGY**

The world after COVID-19 is likely to involve increased remote working. This can be a positive, but the challenge to our business model is how we support our co-creation approach from a distance. Our customer model is based on co-development, for which we need machine trial hours at the customer. This was not possible in 2020/2021, or much less so than normal. And while experiments in setting up machines remotely did succeed (by having the customer point a camera at a machine while we issued instructions), this is clearly not as effective as being on the spot. It is something we will have to consider going forward, depending on how the world develops post-pandemic.

While we did not meet our growth ambition in 2020/2021, our overall growth strategy has not changed. We will continue to focus on achieving organic growth and to drive towards excellence through the improvement of our internal processes.

## STRATEGY 2023

## STRATEGIC GOALS &amp; OBJECTIVES

**Our strategic goals:**

- Protecting and extending global market positions in packaging
- Protecting and extending global market positions in building & construction
- Extending market positions in coatings & sealants, primarily in EMEA

**Our overall objectives:**

- Zero safety accidents
- Continued revenue growth
- Innovation index over 10%
- Return on Sales of at least 10%
- Return on Investment of at least 15%
- Solvency remains above 60%

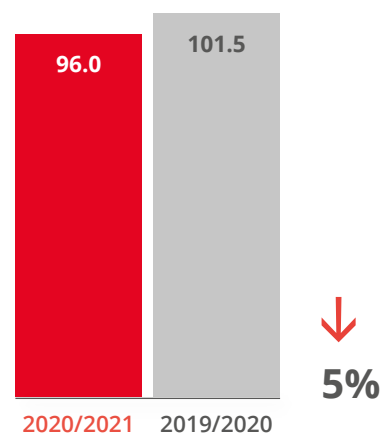
## REPORT OF THE BOARD OF MANAGEMENT

## FINANCIAL KEY FIGURES



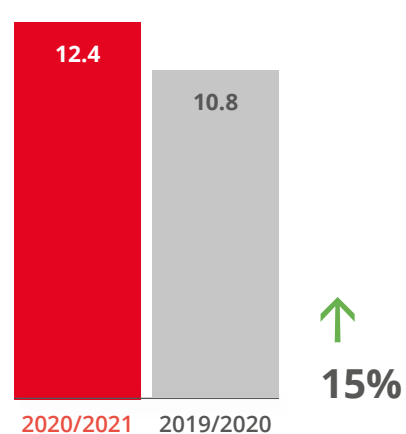
## Revenue

In million euros



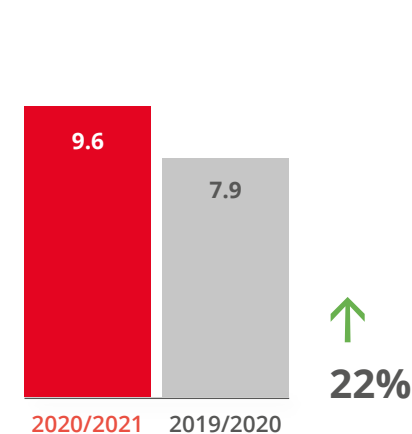
## Operating Result

In million euros



## Net Result

In million euros



## Return on Sales

2020/2021  
2019/2020

**12.9%**  
10.6%

## Return on Investment

2020/2021  
2019/2020

**32.6%**  
27.0%

## Earnings per Share

2020/2021  
2019/2020

**€ 11.00**  
€ 9.09

## Innovation Index

2020/2021  
2019/2020

**12.9%**  
14.6%

## OWC as % of Revenue

2020/2021  
2019/2020

**20.4%**  
21.0%

## Solvency

2020/2021  
2019/2020

**73.6%**  
74.5%

Based on rounded numbers.

## REPORT OF THE BOARD OF MANAGEMENT

### Financial Performance

| Key figures in EUR million                 | 2020/<br>2021 | 2019/<br>2020 | Change |
|--|---------------|---------------|--------|
| Revenue                                    | 96.0          | 101.5         | (5%)   |
| Operating Result from continued operations | 12.4          | 10.8          | 15%    |
| Net Result from continued operations       | 9.6           | 7.9           | 22%    |

Revenue for the 2020/2021 financial year was € 96.0 million, a decrease of 5% on the previous year (€ 101.5 million). This included a negative impact (€ 2.2 million) arising from the translation from USD to EUR.

The EMEIA division saw a revenue decline of 6%, and all focus segments were down compared to the previous year. Revenue in Asia was down by 8% in functional currency, primarily due to lower volumes. Revenue growth of 5% in functional currency for the Americas division was the result of higher volumes and higher average sales prices.

The net margin for the group was € 46.2 million, an increase of € 0.5 million on the year before. The margin as a percentage of revenue ended higher at 48%, versus 45% in the previous year. This increase was due to a favorable geographical and product mix.

Operating expenses were € 33.8 million, down € 1.1 million (3%) from the previous year, primarily due to lower travel costs. Labor costs, maintenance and forex-related devaluations of receivables were also favorable compared to the previous year.

The operating result from continued operations was € 12.4 million, versus € 10.8 million for the previous year. The Effective Tax Rate (ETR) is lower than prior years, mainly because of the impact of higher tax exempt income in the US. After revaluing deferred tax assets in line with the adjusted tax regime in the Netherlands and the 'innovation box' incentive program, the ETR was below the legally applicable rate in the Netherlands of 25%. Please refer to Note 11 of the financial statements for a substantiation.

The net result was € 9.6 million (€ 11.00 per share) versus € 7.9 million in the previous year (€ 9.09 per share).

#### DEVELOPMENTS BY DIVISION

##### EMEIA

The EMEIA division, which covers Europe, the Middle East, India and Africa, experienced a severe dip in the first quarter of the financial year but recovered after the summer. Packaging experienced a bigger downturn than we had initially expected while building & construction performed better than we had thought it would. Coatings and sealants & adhesives showed a decline. The dip in packaging reflected our strong presence in the on-the-go market. This was hit disproportionately by people staying at home because of the lockdowns introduced in Europe. We saw little impact from the UK's exit from the EU. Although revenues fell by 6% compared with the previous year, from € 53.2 million to € 49.8 million, the operating result was better, driven primarily by tight control of costs. Due to product and geo mix differences, the overall gross margin percentage increased from 46.2% to 49.8%.

|                  | EMEIA<br>(Euro millions) |           | Americas<br>(USD millions) |           | Asia<br>(USD millions) |           |
|------------------|--------------------------|-----------|----------------------------|-----------|------------------------|-----------|
|                  | 2020/2021                | 2019/2020 | 2020/2021                  | 2019/2020 | 2020/2021              | 2019/2020 |
| Revenue          | 49.8                     | 53.2      | 37.9                       | 36.1      | 17.2                   | 18.7      |
| Operating result | 3.7                      | 3.3       | 4.5                        | 2.4       | 3.9                    | 3.9       |

**REPORT OF THE BOARD OF MANAGEMENT****Americas**

The Americas division experienced strong revenue performance in the B&C market in the second half of the year, driven by people investing in home improvement – window profiles and exterior sidings. Construction also continued. Packaging remained solid in North America, though South America suffered significantly, with revenue down 32%, while Mexico was down 14%.

Our plant in Indiana closed for a week, early in the pandemic, because of a case of COVID-19, and we received assistance amounting to USD 1.2 million under the US government's Payroll Protection Program for the months of May and June.

On the organizational side, we aligned our sales organization with our regional approach and we appointed a new Finance Director.

Overall, revenues rose by 5% compared with the previous year, from USD 36.1 million to USD 37.9 million. Like our other divisions, the Americas division maintained tight control of costs. As a result of this, the overall gross margin percentage increased from 48.5% to 48.9%.

**Asia**

The Asia division comprises Indonesia and export markets in North Asia, South East Asia, Australia and New Zealand. We therefore saw some significant swings within the region as COVID-19 impacted different countries and markets to differing degrees at different times.

Export markets had a robust first half year with high demand due to pipeline stocking. This fell back in the second half but picked up again at the end of our Q4. Revenues in Indonesia were in line with the previous year, with a stronger second half compensating for a weaker first half. We also won some new customers.

Taken as a whole, the Asia division delivered stable operating results. Revenues fell by 8% compared with the previous year, from USD 18.7 million to USD 17.2 million. Like our other divisions, it maintained tight control of costs. As a result, the overall gross margin percentage increased from 47.9% to 51.8%.

Following the lifting of the company-wide hiring freeze, we recruited a new General Manager for the Asia division and a new Division Controller. The division also began preparing to open a representative office in China. And a planned investment in a new extruder in Surabaya went ahead.

**CAPITAL EXPENDITURES**

The Company froze capital expenditure in the first half of the financial year. We restarted some planned investments in the second half of the year we were generally limited in what we could do as it was hard or impossible to visit potential equipment suppliers. We did however lay the groundwork to accelerate again when things reopen. Capital expenditure in 2020/2021 was € 1.8 million.

**CASH FLOW**

Net cash flow came in at € 9.0 million, versus € 0.2 million last year. The higher net cash flow was a result of, among other things, a higher cash flow from operating activities of € 2.0 million, the favorable development of working capital, which amounted to € 3.8 million, a reduction in investments to € 2.3 million, and favorable translation differences on Cash and Cash Equivalents of € 0.6 million. The reduction in income taxes paid is counterbalanced by the higher dividend paid. There were no changes in the company's funding. Except for the liabilities related to IFRS 16, the company remains loan free.

**FINANCIAL REPORTING PROCESS**

Holland Colours' financial reporting is based on data and formats from the central consolidation system managed by the Corporate Group Controller to ensure systematic operating procedures and data accuracy. Each month, the controllers of the various divisions prepare their financial report based on the monthly YTD results as well as forward-looking data on revenue and margin development. The cost and operating working capital trends are compared to budget targets and prior-year actuals. Financial and business performance are discussed in a monthly business review call with each divisional management team. The consolidated results and summary comments are subsequently sent to the Supervisory Board.



**REPORT OF THE BOARD OF MANAGEMENT**

## Outlook 2021/2022

Holland Colours does not normally make forward-looking statements in its Annual Reports. We made an exception last year, because of COVID-19, and this year, too, we can say that while the outlook appeared more stable at the time of writing, there remained a high degree of uncertainty about the kind of world into which we will emerge and what this will mean for the global economy, for our customers and, therefore, our business going forward.

Based on our growth strategy and accompanying internal improvements, plus the journey we have begun towards making sustainability a central driver for our business, we feel there are grounds for optimism. At the same time, we will continue to monitor the development of the COVID-19 pandemic, the market situation, the price of raw materials, the global economic outlook and the effect of our plans and actions.

## Organization

The Board of Management consists of a CEO, CFO and CTO, and each member has a clear set of responsibilities, with decisions being taken at either the divisional or Board of Management level.

### KEY APPOINTMENTS

The departure of the Company's previous CFO at the end of 2019 left a vacancy. This was filled by the appointment of Tanja van Dinteren. She officially joined the Company as CFO on June 1, 2020, and her appointment was confirmed at the Annual General Meeting of Shareholders on July 16, 2020. This means that the Board of Management is now back at full strength.

The Company made three further key senior management appointments last year: a new Finance Director in the Americas division and a new General Manager and a new Division Controller in the Asia division.

### SEARCH FOR TALENT

In general, staff turnover remained relatively low in 2020/2021. An initial recruitment stop introduced at the start of the COVID-19 crisis was later relaxed, but as with many other companies, it remains a challenge for Holland Colours to find the right people with the right skills and competences to match our Company and strategic requirements for the future.

## Product Innovation

Our innovation model is based on partnering with customers to co-design color and functional solutions. An increasing number of these solutions are based on open innovation in which we collaborate with customers, suppliers, research institutions, educational institutions and application partners. Together, we develop next-generation iterations of existing products, plus breakthrough solutions inspired by our mission of helping to improve sustainability in our industry and supporting the move to a circular economy.

### MARKET OPPORTUNITIES

In 2020/2021, we continued to invest in innovation for the packaging, building & construction, coatings and the adhesives & sealants markets, and these programs are progressing according to plan. While packaging tends to attract the most attention when it comes to the discussion of sustainability and circularity, we see opportunities in our other markets too. The rate of change may be slower, but the challenges are still significant and include coloring recycled materials, improving recyclability, reducing coloring costs and reducing weight. Another opportunity is to educate markets in Asia about the benefits of encapsulated pigments versus dry pigments for people's health, which is something our Asia division is actively working on.

## REPORT OF THE BOARD OF MANAGEMENT

### BRAND OWNERS

In 2019/2020, we recruited a second Product Market Manager – for Additives – following our appointment of a Product Market Manager for Dairy Packaging in financial year 2018/2019. Product Market Managers are responsible for talking to brand owners and developing their respective product market segments. The Product Market Managers gather insights into what is happening in markets longer term. Through this, they enable us to think and develop ahead of the curve and prepare our customers to meet emerging trends.

Last year's launch of a new technology solution for Holcomer products is a case in point. Forthcoming EU regulations will classify titanium oxide (TiO<sub>2</sub>) as potentially carcinogenic. We have therefore been working to reduce the amount of TiO<sub>2</sub> required to make white PET bottles for UHT dairy while also sharing knowledge with our suppliers and customers about the impending changes. The solution we came up with reduces the amount of TiO<sub>2</sub> materials to below the new proposed limits while delivering the same performance properties, improving production efficiency and reducing production equipment wear and tear.

### INNOVATION PROGRAM

We are rethinking our go-to-market. For instance, we are strengthening our interaction with brand owners – our customers' customers – to further improve the insights and support we can offer our direct customers. And through our Innovation Excellence program, we are optimizing our product development processes while setting concrete targets for hard launches. As part of this, we introduced a rolling launch calendar in 2020/2021. This covers a rolling six-month window.

Last year, despite COVID-19, we successfully introduced the following products to the market:

- Dazzle – Special effects for PVC flooring;
- Diffuse – Additive concentrate for transparent sheets to soften the intensity of LED lighting;

- Holcomer Thermostretch – Sustainable functional color for PET to boost production speed of dairy bottles;
- TasteGuard Liquid & TasteGuard Ultramax – Additive concentrate for PET to protect the taste of bottled water.

### INNOVATION INDEX

We maintain an innovation index. This rolling list measures the percentage of current-year revenue that came from products launched in the previous five years. The target is above 10%. In 2020/2021 the percentage was 12.9%.

## CSR

Corporate Social Responsibility covers several organizational issues, including safety, training and sustainability. Here, we briefly summarize the key developments in these areas in 2020/2021. You can read more on safety and sustainability in the special section about Responsibility, one of our core values, earlier in this Annual Report.

### SAFETY

Our employees' safety is our Company's number one priority, and we are determined to provide a safe and healthy working environment. As part of this, we aim for zero accidents. We encourage our employees to report incidents and accidents, to learn from them and to improve our processes and procedures when these do occur. We define an accident as a lost-time injury. A near-miss accident is one that requires medical attention (rather than First Aid), and which may lead to restricted duties for the person involved. An incident is the signaling of a potential accident or near-miss, or an event with potential safety related implications. The reporting of incidents can therefore be seen as a positive sign of general safety awareness and a strong safety culture.

The numbers of accidents rose in 2020/2021 versus the previous year, while the number of near-misses and incidents both fell. Thankfully, the accidents recorded had no structural causes that we know of, but the fact they occurred underlines the need for a program we introduced in 2020/2021 – the Safety Culture Ladder. The aim of the program is to change

## REPORT OF THE BOARD OF MANAGEMENT

our attitude to safety by encouraging each of us to be more proactive in signaling potential accident or injury risk factors and taking preventative measures. This goes beyond simply 'following the rules.' The program has been embraced by all divisions, though its rollout was slowed by COVID-19. You can read more about it in the section on Responsibility in this Annual Report.

| Workplace accidents | 2020/2021 | 2019/2020 | 2018/2019 |
|---------------------|-----------|-----------|-----------|
| Accidents           | 5         | 2         | 1         |
| Near-miss accidents | 1         | 1         | 4         |
| Incidents           | 54        | 66        | 58        |

### TRAINING AND DEVELOPMENT

As a Company, we continuously train our people and work to create the right conditions for each of us to give our best every day. We are strong supporters of training on the job, with external training and education available as needed. As well as skills-based training (the knowledge needed to do a specific job or operation), we are increasingly looking at supporting wider personal development based on competencies training (knowledge and behaviors that enable someone to be more widely successful within the Company).

This transition is driven by both changing business needs and by the need to attract new talent who see self-development and personal growth as one of the key criteria when choosing an employer. We are going to become more digital, more data-driven, uncertainty will increase, and the world is becoming more complex. We therefore need to prepare ourselves both for what is coming and to attract the next generation of Holland Colours employees. Building our competencies will enable us to learn and act faster as an organization and for each of us to operate more proactively.

Based on this, in 2020/2021, we conducted a small-scale pilot to provide competencies-related feedback to around 50 employees. The pilot, called the Better Together Dialogue, was a first step in assessing how we can build talent development and employability into our HR processes. We will now assess the feedback and results to decide how to move forward.

### SUSTAINABILITY

In 2020/2021, Holland Colours' Board of Management and senior management began to develop a new sustainability vision and framework as part of our Responsibility core value. The vision that emerged is stretching but ambitious: "We envision a colorful world in which we are the winning sustainable solution."

This sustainability vision reflects our strategic assessment of the key social and environmental issues facing our Company and answers how these relate to our Company. The accompanying framework, which is a work in progress, will provide a tool for making and evaluating product, process, technology and other decisions. It will also provide a guide for the choices and impact each of us at Holland Colours chooses to make, from big things to small. The framework further provides an umbrella for the numerous community outreach programs our divisions operate in the US, Asia and Europe.

You can read more about our new sustainability vision and framework in the Responsibility section of this Annual Report. Figures for emissions, waste and other CSR criteria in 2020/2021 can be found on page 16.

### Sustainable innovation

One example of how sustainability and innovation can complement each other can be seen in the work the EMEIA division did to prepare our processes, supply chain and customers to meet forthcoming EU regulations on titanium oxide (TiO<sub>2</sub>). These regulations come into force in October 2021.

The background is that the EU has classified the inhalation of TiO<sub>2</sub> as potentially carcinogenic. As major users of TiO<sub>2</sub> in white colorant for PET and PVC, this has implications for Holland Colours, our supply chain and our customers. In 2020/2021, along with ensuring own compliance, we communicated with our suppliers about the upcoming rules. We also took the opportunity to position ourselves as the innovative partner who can help our customers and their brand customers to mitigate the impact of the changes on their waste streams. As part of this, we introduced a new white



"We teamed up with The Ocean Cleanup project to develop a color concentrate for the first product made from their unique drive to clean up the Great Pacific Garbage Patch – a pair of sunglasses."

Photos: The Ocean Cleanup

colorant, Thermostretch, which contains under 1% titanium dioxide in the final product, making it EU-compliant. This will help brands to avoid recycling fees and improve their products' recyclability. In addition, Thermostretch reduces energy requirements, with obvious sustainability benefits for our direct customers.

### Product Stewardship

The ability to take a proactive lead on issues like titanium dioxide reflects our robust approach to product stewardship. Our Product Stewardship team is increasingly recognized as a leader not just by our customers and suppliers, but by brands as well. The team also represents a key pillar in our commitment to sustainability. The team provides product health and safety declarations to customers and translates external regulations into internal advice on how we should prepare to comply with them. In the case of  $\text{TiO}_2$ , the team followed the development of the regulations and interacted with

suppliers on how to implement them in their product development, product statements and customer communications. This outreach effort included organizing a special industry webinar in July 2020.

### Partnerships

Partnerships form another vital strand in our sustainability vision and in 2020/2021 we continued to leverage these across the full value chain, from raw materials and conversion to machinery, customer quality and R&D. Partnerships enable us to develop know-how and knowledge that we can use to advance existing solutions and develop completely new ones. We also partnered with customers as part of our co-creation business model, and we teamed up with The Ocean Cleanup project to develop a color concentrate for the first product made from their unique drive to clean up the Great Pacific Garbage Patch – a pair of sunglasses.

## REPORT OF THE BOARD OF MANAGEMENT

## Risk Management

Holland Colours' attitude to risk is reflected in our strategic ambition. Our strategy is focused and aims to stay close to our proven core technologies and products, while also incorporating new market trends and innovations. Chief among these is sustainability and recycling. This represents a trend, an innovation driver and a business opportunity for Holland Colours.

When it comes to managing business risk, our primary focus is to grow and protect our global market share in the segments we serve with products that continue to be closely related to those on which our Company was founded. At the same time, we aim to secure profitable growth year on year. This continuity is central to maintaining a sustainable base for our Company's long-term profitability. We secure profitable growth in a variety of ways, including by extending our technology base. This is driven by in-house product innovation and/or third-party partnerships.

Another aspect is to foster business opportunities in neighboring product areas and market segments. This way, we can both enter new markets and extend our know-how in color formulations, additives and applications in ways that are effective and profitable.

Here as elsewhere, our Company culture is an important driver for the successful implementation of this strategy. Holland Colours is a partly employee-owned Company with direct and informal reporting lines and a strong focus on diversity. Our caring culture enables us to meet customer needs with technological and production capabilities that are global in terms of scale and holistic in terms of approach. Holland Colours values collective effort and teamwork, internally and with our customers.

In 2018/2019, we conducted a bottom-up review of our five-year strategy. An external consulting firm guided us through our Product Market Combinations (PMCs). For each PMC, we discussed market potential and risk as well as the best fit/adaptation for Holland Colours' products and services. This review continues to guide our decision-making.

Our divisions, working in close cooperation with our central functions, are responsible for maintaining an effective risk and control environment as part of our day-to-day operations. The directors and controllers of our divisions have signed a statement concerning compliance with the guidelines and procedures that are the basis for financial reporting and internal audits. No significant shortcomings were discovered in Holland Colours' internal risk management and control systems during the 2020/2021 financial year. As a Company, we also regularly evaluate our insurance cover, the premiums we pay and the policy excess that applies.

Cybersecurity is another risk management issue we face. Cybersecurity threats have become part of day-to-day life, including for Holland Colours. The risk of cybercrime is hard to assess, with technology and fraud tactics changing rapidly. As a Company, we update relevant staff and personnel on the various types of fraud to be aware of, such as phishing emails and identity fraud. We believe that ongoing efforts to create awareness of cybercrime risk are paramount in protecting Holland Colours against these risks.

Alongside our efforts to prevent cybercrime, we also ensure we adhere to the laws and regulations on data protection. For example, we have processes in place to ensure compliance with the General Data Protection Regulation (GDPR) for personal data processing. We also use antivirus software and internet blockers to prevent access to unsafe internet sites and we heed advice from our third-party service provider, based on their experiences in the field.

### STRATEGIC

Strategic risks refer to elements or trends that could prevent us from achieving our long-term strategic objective.

We continue to see ongoing changes in market requirements. These involve both equipment requirements (faster, more standardization) and product compliance requirements (recycling, environmental legislation, FDA, REACH, NIAS). The risk that Holland Colours is (or is perceived as being) too small to manage these challenges effectively is mitigated by the fact that we supplement our product core with third-party



## REPORT OF THE BOARD OF MANAGEMENT

complementary technology where needed. For example, by forming manufacturing alliances. We also deploy our global marketing activities combined with our unique products, services and know-how to capture the attention of new and existing customers.

Overall, our global presence and strong relationships with key players in both the packaging and building & construction industries continue to drive the development of our product portfolio. To protect our technology, we apply for patents where feasible.

The risk that we lack scale or are seen as lacking scale continues to receive full management attention and we are focused on developing the right products and technologies. Our Chief Technology Officer along with our Innovation Manager and Global Product Market Managers for UHT Dairy and Additives play a central role in mapping our path ahead.

We also closely track the dynamics in what is a competitive landscape. We see, for example, that global players are separating their colorants businesses, acquiring compounders, or teaming up with others. In North America in particular, we see some trends towards concentration in our customer base.

These trends present both challenges and opportunities for smaller players like us that have a global reach serving niche markets based on a service-oriented approach. For instance, there is a trend towards the standardization of technology and machinery among convertors in the packaging industry. Brand owners in this segment are also having a growing impact. As these are global trends, we manage this segment of our business on a global basis where it relates to strategy and product innovation.

One of the risks of being a relatively small player with a global reach is that we could end up stretching our resources too thinly over the globe while at the same time failing to be effective in local markets. Given this, we use different go-to-market models to spread our risk and we remain closely connected to local developments. In the North American region, we work with local sales offices. In EMEA and Asia, we have dedicated sales representatives in the various countries, in some cases combined with dedicated

distributors. For efficiency reasons, our product supply remains predominantly regional. From time to time, we evaluate the efficiency of the model and its elements and make changes where needed.

**COMPLIANCE**

These risks refer to insufficient know-how and the measures we have in place to properly manage ever-changing local and international compliance requirements. Compliance is a broad area. In our risk assessment processes, we focus on strictly managing the introduction of new raw materials and on product and production compliance. In the packaging segment, we are subject to audits and reviews by our customers, which helps to keep us close to and aligned with their requirements.

From a preventive perspective, we partner closely with our key customers to interpret new regulations. We achieve this by reformulating products and/or changing our internal operations where needed. The latter may also be prompted by customer audits (mainly in packaging). Our manufacturing sites are ISO-registered and subject to regular audits (except for our site in Richmond, Indiana, in the USA, which uses a self-designed audit system). Research performed for us by an external industry consultant concluded that Holland Colours is usually well-informed and that customers value our active approach to finding solutions.

When it comes to incidents, we take a similarly structured approach to learning from them. Our complaints registration and handling system has achieved outstanding scores in multiple ISO audits for its structure and content. Complaints are discussed promptly by a Quality Assurance team consisting of Sales, Operations, Technical and Quality Management, with follow-up on the elimination of root causes. Product compliance and complaints management are an agenda item at divisional management team meetings, while product liability risk is covered in the agreements with customers and suppliers, and insured through third parties.

## REPORT OF THE BOARD OF MANAGEMENT

**FINANCIAL**

Holland Colours continuously monitors elements that could jeopardize our financial health. The risks that are part of our regular business operations (such as currency and credit risk) are listed in the Financial Risk Management section of the financial statements.

The financial risks related to the funding of the Company are limited. We are debt-free with a standby credit line for incidental need.

**OPERATIONAL**

Operational refers to risks arising from our operations which would prevent us from achieving our strategic objectives.

An aspect of operational risk relates to security of supply. In other words, our ability to secure the raw materials we need to make our products and serve our customers. With this in mind, we operate a dual supplier strategy for key raw materials so that we mitigate the risk of supply disruption. The current high demand for raw materials means that we face longer delivery times from our suppliers, and we are doing all in our power to prevent this causing inconvenience to our customers.

We have incorporated the scale-up phase as an integral part of projects that relate to new product innovation. All global projects are subject to extensive review by our Chief Technology Officer and subsequent approval by the Board of Management. Special attention is given to staffing and other needs during the scale-up phase. Market launch is prepared under the direct supervision of the Head of Global Marketing during the final phase of a product development project. Coordination between the project leader and Global Marketing begins early, during the test marketing stage.

Given the relatively small size but global reach of Holland Colours, it is essential but also not easy to develop or find and successfully onboard new management members at different levels. This process has the full attention of the Board of Management. We aim to retain long-term employees who know the business and can share the Holland Colours

culture with new members of staff. The latter can, in turn, introduce new ways of working and new technologies.

## Declaration of the Board of Management

In accordance with provision 1.4.3 of the Code and Section 5:25c of the Dutch Financial Supervision Act, the Board of Management declares that, to the best of its knowledge:

- The Report of the Board of Management as included in this Annual Report provides sufficient insights into any deficiencies in the effectiveness of Holland Colours' internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that Holland Colours' financial reporting contains no material errors;
- The Report of the Board of Management lists those material risks and uncertainties that are relevant to the expectation regarding Holland Colours' continuity for a period of twelve months following the preparation of the Management Report;
- The financial statements as included in this Annual Report provide a true and fair view of the assets, liabilities, financial position and profit for the financial year of Holland Colours and the group companies included in the consolidation; and
- The Report of the Board of Management as included in this Annual Report provides a true and fair view of the situation on the balance sheet date, business development during the financial year of Holland Colours, and of its affiliated group companies included in the financial statements. The Report of the Board of Management describes the material risks to which Holland Colours is exposed.

Apeldoorn, June 3, 2021

### Board of Management

Coen Vinke

Tanja van Dinteren

Eelco van Hamersveld

# CORPORATE GOVERNANCE

Holland Colours is a limited liability Company with common shares publicly listed on the Euronext Amsterdam stock exchange.

The Company's management structure complies with Dutch law and has a two-tier structure comprising a Board of Management and a Supervisory Board.

Holland Colours promotes responsible behavior towards society and the environment, while at the same time taking into account the interests of its various stakeholders: employees, shareholders, other capital providers, customers and suppliers. The Board of Management and Supervisory Board are ultimately accountable for giving due consideration to the interests of all parties involved, focusing on the continuity of the Company and long-term value creation for relevant stakeholders, both at present and in the longer term, and are held accountable for the performance of their duties by the Annual General Meeting of Shareholders (AGM). The risk management strategy and the internal control framework play an important role in this process. For a description of these systems, please refer to the section on Risk Management.

## Corporate Governance Framework

Holland Colours is incorporated and based in the Netherlands. As a result, our governance structure is based on the requirements under Dutch legislation and the Company's Articles of Association, complemented by internal policies and procedures. Given the worldwide exposure of our business, we conduct our operations in accordance with internationally accepted principles of good governance. Good corporate governance, long-term value creation and engagement are key components of the Holland Colours culture and way of doing business. They are embedded in our core values. Holland Colours endorses the principles of the Dutch Corporate Governance Code (the 'Code'), the content of which is available on [www.mccg.nl](http://www.mccg.nl).

The Code is reflected in the regulations of the Board of Management and the Supervisory Board. In addition, the Diversity Policy and a Policy on Bilateral Contacts with shareholders have been updated, and the Articles of Association of Holland Colours have been aligned with the Code.

The statutory responsibility resides with the Board of Management. This consists of the CEO, CFO and CTO, who convene every two weeks with a formal agenda and a list of action items and decisions made. The Board of Management holds regular meetings with the divisional management teams for monthly business reviews and quarterly updates on major projects. Large product, technology, innovation and capex projects need specific approval by the Board of Management. Cost budgets are approved as part of the annual budget review. During the extraordinary circumstances related to COVID-19, the Board of Management and Divisional Managers participated in regularly digital meetings to discuss, align and act on the actual situation, and the Supervisory Board was kept informed.

The Board of Management is held accountable by the Supervisory Board for defining and implementing the Company's strategy as well as its day-to-day operational management. The members of the Board of Management attend the periodic meetings of the Supervisory Board as well as the regularly update calls. The CEO is the main contact for the Supervisory Board.

### ANNUAL GENERAL MEETING OF SHAREHOLDERS

The AGM is an integral part of the Company's governance and its system of checks and balances. The AGM reviews the Annual Report and decides on the adoption of the financial statements, the dividend proposal, the discharge of their duties performed by the members of the Supervisory Board and the Board of Management, and the adoption of the remuneration policy of the Board of Management and the Supervisory Board.

**CORPORATE GOVERNANCE**

The AGM is convened by public notice. The agenda, the notes to the agenda and the procedure for attendance and voting at the meeting are published in advance and posted on the corporate website. Matters proposed for consideration, approval or adoption are dealt with as separate agenda items and explained in writing in advance of the meeting.

These proposals include, where applicable:

- Adoption of the financial statements;
- Dividend proposal;
- Discharge of their liability for the duties performed by the members of the Supervisory Board and the Board of Management;
- Appointment and reappointment of members of the Board of Management and the Supervisory Board;
- Remuneration policy of the Board of Management and the Supervisory Board;
- Appointment of the auditor;
- Other important matters, such as major acquisitions or the sale or demerger of a substantial part of the Company, as required by law or under the Articles of Association;
- Authorization of the Board of Management to issue new shares;
- Amendments to the Articles of Association.

The Company provides options to its shareholders for voting by proxy. Holding shares in the Company on the registration date determines the right to exercise voting rights and other rights relating to the AGM. All resolutions are adopted according to the 'one share, one vote' principle and by an absolute majority of votes, unless the law or the Company's Articles of Association stipulate otherwise.

Holders of common shares that in total represent at least 1% of the total issued capital may submit proposals for the AGM agenda. Such proposals must be adequately substantiated and must be submitted in writing, or electronically, to the Company at least 60 calendar days in advance of the meeting. The draft minutes of the AGM (in Dutch) are made available on the Company's corporate website within three months of the meeting date. The final minutes (in Dutch) are available on the corporate website within six months after the meeting date.

**DIVERSITY POLICY**

Holland Colours highly values diversity and endeavors to reflect this in the composition of its Board of Management and Supervisory Board. The objective of the Diversity Policy is to enrich the Board of Management's perspective, improve performance, increase member value and enhance the probability of achievement of Holland Colours' goals and objectives. The policy is designed to promote diversity, including in terms of nationality, age, gender, education and professional background. One out of four members of the Supervisory Board is female. The Board of Management currently consists of one woman and two men. Further information about the composition of the Board of Management and the Supervisory Board can be found in the reports of the Board of Management and the Supervisory Board (and its profile).

**COMMITTEES**

There are two committees of the Supervisory Board: the Audit Committee and the Remuneration Committee.

**Audit Committee**

The Audit Committee assists and advises the Supervisory Board in its responsibility of supervising the integrity and quality of Holland Colours' financial reporting and the effectiveness of its internal risk management and control systems. The Audit Committee consists of Roland Zoomers (chair) and Jorrit Klaus, who both qualify as financial and risk experts.

**Remuneration Committee**

The Remuneration Committee ('RemCo') assists and advises the Supervisory Board on matters relating to the selection and appointment of the members of the Board of Management and Supervisory Board. The RemCo also monitors and evaluates the remuneration policy for the Board of Management. The RemCo consists of Aukje Doornbos (chair) and Gert-Hein de Heer.

**CORPORATE GOVERNANCE****ANTI-TAKEOVER PROVISIONS AND CONTROL**

The Company has no specific anti-takeover provisions in place. The fact that the Company has a majority shareholder, Holland Pigments BV, in which the collective employees have a shareholding of approximately 25%, guarantees that the voice of the employees is heard.

**BILATERAL CONTACTS**

The Company fully endorses the importance of a transparent and balanced provision of information to its shareholders and other parties. In accordance with principle 4.2 of the Code, the Company makes every effort to provide such parties with information that is relevant to shareholders, doing so equally and simultaneously, with due consideration of the exceptions provided for under applicable law. All this is set out in Holland Colours' policy on bilateral contacts with shareholders. The full text of the policy is available on [www.hollandcolours.com](http://www.hollandcolours.com).

**CODE OF CONDUCT**

The Holland Colours Code of Conduct reflects our core principles on doing business in a fair and ethical way, complying with local rules and regulations, and treating our employees and business partners with respect. It provides guidelines for avoiding unfair competition and corruption or bribery and states the conditions for a safe and healthy work environment. Through our HP Officials – as appointed by Holland Pigments BV – and other channels, we maintain our unique employee participation model and culture. Holland Colours has a global whistleblower policy, while adherence to the Company core values is part of the annual employee performance review cycle.

**Corporate Governance Code**

The Supervisory Board and the Board of Management endorse the principles of Corporate Governance as established in the principles and best practice provisions that currently apply to internationally operating listed Dutch companies.

The full version of the Corporate Governance rules of Holland Colours, along with explanatory notes, is available on [www.hollandcolours.com](http://www.hollandcolours.com). The deviations from the Code relate to the subjects outlined below.

**BOARD OF MANAGEMENT**

The Code states that the main elements of the contracts of the Company's Board of Management members must be published without delay once the contract has been concluded. As we do not want to single out this type of information, Holland Colours continues to publish this information as an integral part of the Annual Report. The remuneration policy for the Board of Management for the year under review was formulated by the Remuneration Committee. It is further described in the Remuneration Report and Note 29 to the financial statements and will be proposed to the AGM for approval. Since Holland Colours does not offer remuneration in the form of options, the provisions governing options do not apply.

**SUPERVISORY BOARD MEMBERS**

As long as Holland Pigments BV holds an interest of at least one-third of the Company's issued share capital, it is entitled to nominate one member of the Supervisory Board.

The Supervisory Board has established a Remuneration Committee and an Audit Committee. In deviation from Article 2.3.4, the chair of the Supervisory Board is also chair of the Audit Committee. This is on account of his expertise. The duties of the selection and appointment process are performed by all members of the Supervisory Board. The remuneration of the members of the Supervisory Board is set by the AGM.

**INTERNAL AUDIT FUNCTION**

The internal audit function assesses the design and operation of the internal controls and the risk management system. Due to the size of the Company this function is fulfilled, in deviation from Article 1.3, by the Group Controller. The Supervisory Board evaluates annually if it is necessary to establish an internal audit department and includes the conclusions in the report of the Supervisory Board.

**COMPANY SECRETARY**

Holland Colours does not have an official Company Secretary. This position is fulfilled by the legal and governance function at the head office level, in line with the lean and effective organizational structure.



**CORPORATE GOVERNANCE****CONFLICTS OF INTEREST**

As Holland Pigments BV is a majority shareholder in Holland Colours, with all employees of Holland Colours having shares in Holland Pigments, any transactions between Holland Pigments and the Company that are of material significance are subject to approval by the Supervisory Board.

**SHAREHOLDER POWERS**

For practical reasons and because of the costs involved, the provision stipulating the option for shareholders to follow meetings with investors and analysts and presentations and press conferences in real time is not observed. All relevant information is immediately published on the Company's website. There have been no substantial changes to the corporate governance structure. The alignment with the Dutch Corporate Governance Code is published on the Company website. Any future substantial changes will be submitted to the AGM.

The AGM held on July 16, 2020, authorized the Board of Management to acquire shares in the Company for a period of 18 months, up to January 16, 2022, subject to the approval of the Supervisory Board. The acquisition price must be between the amount equal to the nominal value of the shares and the amount equal to 110% of the share price, whereby the share price will be: the highest average share price on each of the five trading days prior to the acquisition date in accordance with the Daily Official List of Euronext Amsterdam.

All documents related to the implementation of the Dutch Corporate Governance Code can be found in the Investor Relations section in the paragraph on Corporate Governance on our website. This includes the profile, regulation and schedule of retirement by rotation for the Supervisory Board, regulations of the Audit Committee and the Remuneration Committee, the Diversity Policy and the Policy on Bilateral Contacts with shareholders, the Remuneration Policy of the Board of Management, the Remuneration Policy of the Supervisory Board, the Company's Articles of Association, the Whistleblower Policy, Holland Colours' Insider Dealing Policy and the minutes of the Annual General Meetings of Shareholders.

**Prevention of Insider Trading**

In compliance with the Dutch Financial Supervision Act, Holland Colours has adopted internal regulations regarding investments in the Company's shares, share ownership and preventing the abuse of insider information. Moreover, the duty of disclosure and the relevant best practice provisions of the Corporate Governance Code have been incorporated into these internal regulations where applicable.

These internal regulations apply to the Supervisory Board, the Board of Management and local managers and a circle of employees, as well as to a number of advisors. The Compliance Officer maintains a register, supervises compliance with the internal regulations and liaises with the Netherlands Authority for the Financial Markets (AFM).

## CORPORATE GOVERNANCE

## Interests of Members of the Supervisory Board and the Board of Management

At March 31, 2021, the Supervisory Board members and the members of the Board of Management owned the following shareholdings, which are held as long-term investments:

|                            | In Holland<br>Colours NV | In Holland<br>Pigments BV |
|----------------------------|--------------------------|---------------------------|
| <b>March 31, 2021</b>      |                          |                           |
| <i>Supervisory Board</i>   |                          |                           |
| Roland Zoomers             | 0.00%                    | 0.00%                     |
| Gert-Hein de Heer          | 0.00%                    | 0.17%                     |
| Aukje Doornbos             | 0.00%                    | 0.00%                     |
| Jorrit Klaus               | 0.00%                    | 0.00%                     |
| <i>Board of Management</i> |                          |                           |
| Coen Vinke                 | 0.00%                    | 0.11%                     |
| Tanja van Dinteren         | 0.00%                    | 0.00%                     |
| Eelco van Hamersveld       | 0.00%                    | 0.08%                     |
| <b>March 31, 2020</b>      |                          |                           |
| <i>Supervisory Board</i>   |                          |                           |
| Roland Zoomers             | 0.00%                    | 0.00%                     |
| Gert-Hein de Heer          | 0.00%                    | 0.17%                     |
| Aukje Doornbos             | 0.00%                    | 0.00%                     |
| Jorrit Klaus               | 0.00%                    | 0.00%                     |
| <i>Board of Management</i> |                          |                           |
| Coen Vinke                 | 0.00%                    | 0.05%                     |
| Eelco van Hamersveld       | 0.00%                    | 0.05%                     |

# REPORT OF THE SUPERVISORY BOARD

## Supervisory Board

### Position

### Year of birth

### Nationality

### Date of initial appointment

### Term of office

### Additional positions

### Aukje Doornbos

#### Member

1979

Dutch

July 9, 2015

2019 – 2023 (second term)

- Managing Director Covestro Energy Curable Solutions

### Roland Zoomers

#### Chairman

1950

Dutch

July 9, 2015

2019 – 2023 (second term)

- Director Mandaat Investments BV
- Member Supervisory Board Vermeulen Group BV

### Jorrit Klaus

#### Member

1969

Dutch

October 26, 2017

2017 – 2021

- Managing Director Synres BV

### Gert-Hein de Heer

#### Deputy Chairman

1964

Dutch

July 12, 2018

2018 – 2022

- Board Member Holland Pigments BV
- Chairman Stichting Administratiekantoor 's-Heerenhove Heerde
- Board Member Stichting Grafica
- Board Member Peerwith BV



**REPORT OF THE SUPERVISORY BOARD**

Last year was one that history will not forget, and the Supervisory Board would like to begin this Annual Report by thanking all our employees for their motivation and determination to help the Company, our colleagues and our customers through this difficult time. We also want to express our sympathy if you have family members or friends affected by COVID-19; please know that our thoughts are with you.

**COMPOSITION OF THE SUPERVISORY BOARD**

The financial year 2020/2021 saw no changes in the composition of the Supervisory Board. However, the first four-year term of Jorrit Klaus is set to end this year. As he brings substantial industrial experience to Holland Colours, we propose to reappoint him at the forthcoming Annual General Meeting of Shareholders on July 15, 2021.

The board has four members, which we believe to be in proportion to the size of the Company. The board has two sub-committees – the Audit Committee and the Remuneration Committee – and each comprises two different board members.

The size of the board does raise one issue: our non-alignment with current Dutch guidelines and planned future law on diversity and female representation in senior management. At present, we have one woman on the Supervisory Board, representing 25% of the total. The guidelines call for at least one-third female representation. Given that we do not want to increase the size of the Supervisory Board, we have decided to maintain the current balance.

**COMPOSITION OF THE BOARD OF MANAGEMENT**

The only change in the Board of Management during the past financial year was the confirmation at last year's shareholders' meeting of the appointment of Tanja van Dinteren as Chief Financial Officer.

Tanja joined us at a time when travel was not permitted. Despite being unable to visit our divisions and meet people face to face, we believe that she has made a great start. She fits into both the Board of Management team and the wider Holland Colours culture, and she adds to the diversity of experience and key capabilities within our Company.

**BOARD MEETINGS AND CONTACTS**

Together, the Supervisory Board and Board of Management met six times in compliance with the COVID-19 rules on group size. We extensively discussed the impact of COVID-19 on financial and market developments, on our colleagues and how they were coping, on ongoing strategic programs and on plans to develop a sustainability vision for the Company.

The Supervisory Board held more frequent contact with the Board of Management in 2020/2021 than it would in a normal year. During the first six months of the COVID-19 pandemic, we were informed about developments on a monthly basis. We reduced this frequency once it became clear that the situation was under control and that the Company's financial situation was not under pressure. At that time, we also decided to declare an interim dividend.

The Supervisory Board held one face-to-face meeting in 2020/2021, to discuss its own composition and relationships, its relationships with the main shareholders, the Company's longer-term outlook and the performance of the Board of Management. This meeting was held in compliance with the applicable Dutch COVID-19 rules.

**DEVELOPMENTS AND STRATEGY**

In terms of developments and strategy, Holland Colours had to delay some of its planned strategic actions because of the special market circumstances resulting from COVID-19. Management learned a lot about its markets in 2020/2021, about the resilience of the organization and about the capabilities of its people. Of course, the dominant consideration was to counter the effects of the COVID-19 pandemic and how to ensure proper service to customers.

The start of the last financial year, in April 2020, coincided with the first economic shocks as countries around the world went into various degrees of lockdown. The Company's first action was to take steps to ensure the health and safety of its employees. The next consideration was how to maintain operations as best as possible. It is a huge compliment to everyone that they adapted so well and stuck to the strict procedures that were

## REPORT OF THE SUPERVISORY BOARD

introduced. As a result, there were few COVID-19 cases among Holland Colours employees, and all locations maintained production at the desired levels.

Last year we anticipated that the spread of industries, markets and the applications for which Holland Colours' products are used would provide a buffer against the worst of what was then an unknown and unprecedented situation. This proved to be true, with the packaging market benefitting from strong food and household-related demand but on the other hand struggling with the on-the-go market and the building & construction markets rebounding after an initial fall. In last year's Annual Report, we noted that Holland Colours was financially healthy, had a strong balance sheet, no loans and extensive credit facilities. This continues to be the case.

All divisions and all segments contributed to the healthy overall result. The trend to use recyclable plastics continued and in response Holland Colours began developing a cohesive 'sustainability vision'. This aims to both pull together its current sustainability credentials and to lay the foundations to give sustainability a central position in its behavior as well as in its product, production, supply and other decision-making processes.

The Company took steps to keep operational costs under control and it reduced or paused investment in longer term strategic programs, such as IT improvement and investments in new production technologies. These were short-term decisions taken to protect its finances in an unpredictable situation. The Company resumed these investments in the second half of the financial year and will, wherever possible, accelerate these planned investments in the 2021/2022 financial year. The Supervisory Board does not believe that the pause will have any structural impact for the longer term.

In general terms, Holland Colours continues to benefit from the fact that demand for its products in the major markets in which it operates, remains relatively strong in all areas. The Company's employees continued to give their best to keep the Company working well and supporting its customers in what have been and remain difficult conditions for everyone.

We expect that in 2021/2022, the organization will be able to refocus on its strategic growth priorities to grow in niche markets, invest in IT and new technologies, and that it will be able to begin the process of building its emerging sustainability vision into the fabric of the business. All these steps will contribute to long-term value creation for the Company.

### RISK MANAGEMENT

As with the Company's strategy, COVID-19 dominated the discussions with the Board of Management about the financial, operational, compliance and strategic risks within Holland Colours.

One thought-provoking conclusion to emerge from the COVID-19 pandemic was to remind us that risk extends beyond our own organization. We naturally tend to consider risks and risk management in terms of our own operational environment. But, as COVID-19 has shown, risks can come at you suddenly and unexpectedly from far beyond your own field of control. The good news is that COVID-19 has proven that Holland Colours' conservative and strong financial structure is a major asset in effective risk management.

As in other years, but with arguably more rigor because of the exceptional uncertainties, the Board of Management and Supervisory Board considered the Company's exposure to major accounts and customers. Please refer to the Risk Management section in the report of the Board of Management for a complete overview, including risk-mitigating measures.

The financial statements 2020/2021 that are included in this Annual Report have been audited. The findings of the audit were discussed with the Audit Committee and, subsequently, with the full Supervisory Board in the presence of the Board of Management and the auditor. PwC Accountants NV has issued a management letter and Board Report on the 2020/2021 financial statements and provided certain recommendations for improvement, which are being implemented.

**REPORT OF THE SUPERVISORY BOARD****PERFORMANCE EVALUATION**

As well as periodically evaluating its own performance, the Supervisory Board also evaluates the performance of the Board of Management and, occasionally, as in the last financial year, recommends changes, in this case to the way Board of Management is remunerated.

We refer to the Remuneration Report for the introduction of a Long-Term Incentive Plan for the Company.

**ALLOCATION OF DUTIES**

The allocation of duties and procedures in the Supervisory Board are set out in the Regulations for the Supervisory Board and its committees. The profile required to become a member of the Supervisory Board and a schedule of retirement from the board are available on Holland Colours' website. Provision 2.1.5 of the Dutch Corporate Governance Code stipulates that a diversity policy must be in place and this will continue to be considered for future appointments, with quality remaining the most important criterion.

In accordance with provision 2.1.7 of the Dutch Corporate Governance Code, all members of the Supervisory Board are independent of the Company, except Gert-Hein de Heer, who is the Supervisory Board member proposed by Holland Pigments BV.

**COMMITTEES**

Both the Audit Committee and the Remuneration Committee held a number of meetings during the last financial year.

The most important subjects discussed during the Audit Committee meetings included monitoring the Board of Management regarding financial developments, the funding of the Company, the use of information and communication, including risks relating to cybersecurity and the Company's tax position and policy.

The Audit Committee further discussed the plans to update Holland Colours' IT systems, especially regarding data management and information management to support improved business analysis.

The Remuneration Committee discussed the remuneration levels of the Board of Management versus market trends, its transparency and the Company's remuneration policy as a whole. The remuneration of the Board of Management comprises a fixed and a variable component. The variable component consists of a bonus plan that is linked to financial and non-financial targets.

The Remuneration Committee discussed the introduction of a Long-Term Incentive Plan for the Board of Management. Planned to come into effect in financial year 2022/2023, this will alter the nature of the variable bonus element in board members' remuneration. The move is in line with guidelines set out in the Dutch Corporate Governance Code of which the underlying principle is to further and actively encourage the creation of financial shareholder value, to increase innovation and to foster sustainability. Please see under Performance Evaluation, above, and the Remuneration Report for more information.

For financial years 2020/2021 and 2021/2022, the variable bonus scheme will continue to operate unchanged. The bonus is capped at three times the monthly salary, subject to the achievement of agreed targets. In addition to this bonus, the members of the Board of Management are entitled to a profit-sharing plan. This plan applies to all the group's employees and is linked to the return on investment of Holland Colours NV and the net operating result of the division of the employee concerned. The payment under the profit-sharing plan is capped at one and a half times the monthly salary. Where applicable, variable pay for the previous year is paid in July of the following year.

We believe that the remuneration of the Board of Management is in line with Dutch market conditions. The details of the remuneration of the Board of Management and the Supervisory Board are stated in the Remuneration Report and Note 29 to the financial statements, Related Parties.

## REPORT OF THE SUPERVISORY BOARD

“The packaging market benefitting from strong food and household-related demand but struggling with the on-the-go market and the building & construction markets rebounding after an initial fall.”

## LOOKING FORWARD

The Supervisory Board would like to express its great esteem for Holland Colours' management at all levels who have successfully kept the Company running throughout the COVID-19 pandemic.

The events of the last year confirmed that Holland Colours' local organizations are extremely capable and flexible when it comes to quickly adapting to major changes in their operational environment. The organization's ability to quickly adapt to major changes and threats, proved to be a boon amid the COVID-19 pandemic.

Something COVID-19 reminded us of is that Holland Colours is a multinational when it comes to geographic reach and a mid-sized Company when it comes to absolute scale, especially locally. This makes it important to ensure we have all the competences we require in all our local organizations, times like these show the value of having very good HR people, financial controllers, marketers and others in place.

Another learning point of COVID-19, and not just for Holland Colours, is that companies can manage and conduct business differently. Online meetings are less spontaneous, and certainly cannot replace all one-to-one meetings, but at the same time we have learned that remote, online meetings are effective, with the added bonus of offering financial, climate, time-saving and other benefits.

The Supervisory Board places a high priority on the sustainability vision of the Board of Management that was initiated during this financial period. The Supervisory Board believes that sustainability will have a major impact on the industries that Holland Colours serves and that, approached with the right mindset, will offer important opportunities for Holland Colours going forward. As a board, we are fully committed to supporting Holland Colours to implement this vision.

We thank all customers, suppliers, shareholders and employees for their continued support and trust in our Company.

Apeldoorn, June 3, 2021

## Supervisory Board

Roland Zoomers, Chairman

Gert-Hein de Heer, Deputy Chairman

Aukje Doornbos

Jorrit Klaus



# REMUNERATION REPORT

## Remuneration of the Board of Management

Holland Colours' remuneration policy is designed to attract, motivate and retain qualified top management who will enable Holland Colours to achieve its strategic and operational goals. Their remuneration is guided by the Remuneration Committee. This advises the Supervisory Board on the formulation of the remuneration policy and on the level of the individual remuneration of the Board of Management.

Dutch Law incorporates the EU Shareholders' Rights Directive. Therefore, the Company's Remuneration Policy has been adapted so that it is in line with this. However, the change in legislation entailed no material changes to the Company's existing remuneration policy or its application. On July 16, 2020, the Annual General Meeting of Shareholders (AGM) adopted this updated version of the Remuneration Policy in line with the new legislation (Article 2:135a DCC) and gave a positive advice concerning the remuneration report 2019/2020. The Remuneration Policy is evaluated at least once every four years. For more information about Holland Colours' Remuneration Policy, please visit the corporate website.

This remuneration report referred to in Book 2: 135b DCC for 2020/2021 will be put before the AGM to be held on July 15, 2021 for an advisory vote.

### REMUNERATION FRAMEWORK

The remuneration policy is intended to encourage enterprising behavior. At the same time, it must also be in reasonable proportion to the remuneration of the other management personnel. Holland Colours' remuneration policy is appropriate to its identity and strategy and is result-oriented and straightforward in its application. It also takes account of the social context, the corporate governance structure and the interests of Holland Colours stakeholders. Apart from the 75% of the profit share that is vested in Holland Pigments shares, Holland Colours does not provide for long-term variable remuneration in the form of financial instruments such as shares or options. The development of Holland Colours' share price is not an element in the remuneration policy. The Company does however

provide variable remuneration to reflect short-term achievements. These payments will change in 2022/2023, when they will be partly transformed to a Long-Term Incentive Plan. This move reflects a change in the Dutch Corporate Governance Code. See the explanation under Scenario Analyses for more information.

Holland Colours benchmarks the salaries of the Company's senior management with the support of a third party, when applicable. We strive to offer compensation at the median level compared to companies of similar size, international scope and complexity and located in the same geographical area. The salaries of our employees are reviewed annually, and we conduct a job evaluation and rating process. In adopting this approach, Holland Colours ensures fair pay compared to other comparable companies.

In 2020/2021, the internal pay ratio was 10.65 (2019/2020 10.36) based on the annual total remuneration of the CEO and the average total remuneration of all other full-time employees, as reported in accordance with IFRS, excluding discretionary elements.

The remuneration of the members of the Board of Management consists of:

- A fixed gross annual salary including the statutory Dutch 8% holiday allowance;
- Pension based on a defined contribution system;
- Other employment benefits (reimbursement of specific expenses or contribution and a company car):
  - Variable remuneration: in cash for short-term achievements (one year);
  - Profit-sharing.

Claw-back and ultimate remedial provisions are subject to the Dutch Civil Code.

Members of the Board of Management have a change-of-control arrangement and in the case of an early termination of their contract they are covered by a severance provision of six months' gross base salary. This is in accordance with the Dutch Corporate Governance Code. Holland Colours does not provide any personal loans, guarantees or advance payments to

## REMUNERATION REPORT

the members of the Board of Management. The Supervisory Board sets financial targets and individual non-financial targets for the Board of Management annually. These targets are based on the overall strategic group objectives for the financial year.

Both the financial and the non-financial targets that come into consideration for a bonus payment constitute 50% of the maximum possible variable remuneration, subject to a maximum of three months' salary, equivalent to 25% of the gross annual salary. These factors are subdivided into performance criteria. The financial targets are related to Revenue, Return on Sales and Operating Working Capital. The non-financial targets relate to specific strategic objectives and initiatives, specific KPIs and the development of the organization.

The Board of Management also participates in the employee profit-sharing plan according to the general profit-sharing scheme for all employees. Targets set for this are measured annually. The benefit to a member of the Board of Management depends on the Return on Investments for Holland Colours. The basis is the monthly gross compensation excluding holiday allowance, to a maximum remuneration of one and a half months, equivalent to 12.5% of the gross annual salary. The Board of Management receives 75% of this profit-share in shares of Holland Pigments, main shareholder and subject to the applicable terms and conditions, and 25% in cash. Depending on the level of achievement of the targets, the total variable remuneration can add from a minimum of 0% to a maximum of 37.5% to the gross annual salary.

For 2020/2021, the Board of Management has achieved the bonus targets for 94%. The ROI of Holland Colours Group is 32.6%. This means that the members of the Board of Management will receive profit-sharing of 1.5 months of which 75% will be received in shares of Holland Pigments.

### SCENARIO ANALYSES

The Supervisory Board and the Remuneration Committee use scenario analyses in the formulation and establishment of the remuneration of the Board of Management as stated in principles 3.1 and 3.2 of the Corporate Governance Code. The scenario analyses are

made to determine the long-term effect of the level and structure of the Board of Management's variable remuneration. The Remuneration Committee evaluates the total remuneration of the Board of Management each year to ensure that the package continues to be competitive and offers appropriate incentives.

COVID-19 emerged as a factor in the Company's planning around the time the financial scenarios for the then coming year were in the process of being set. Based on the expected shock to the world economy and the uncertain impact this would have on Holland Colours, the financial scenarios set for the Board of Management for financial year 2020/2021 were adjusted downwards in the period March-April 2020. As it turned out, the impact was ultimately less than initially feared. As a result, management overdelivered against the scenarios that had been set.

At the Annual General Meeting of shareholders on July 16, 2020, the Company proposed not to distribute a dividend from the record year 2019/2020 because of the uncertain economic situation going forward. As it became clear that the impact of the pandemic on Holland Colours would be less than feared, an interim dividend was paid in November 2020 following the publication of the half-year results on October 27, 2020.

### INDIVIDUAL REMUNERATION OF THE BOARD OF MANAGEMENT

(amounts x € 1,000 unless stated otherwise)

| Board of Management             |     | Fixed remuneration |              | Variable remuneration | Total remuneration                         |           |
|---------------------------------|-----|--------------------|--------------|-----------------------|--|-----------|
|                                 |     | Base salary        | Pension plan | Variable              | Proportion of variable remuneration (in %) |           |
| Coen Vinke                      | CEO | 329                | 26           | 99                    | 454  | 22        |
| Tanja van Dinteren <sup>1</sup> | CFO | 162                | 10           | 56                    | 228  | 25        |
| Eelco van Hamersveld            | CTO | 190                | 20           | 53                    | 263  | 20        |
| <b>Total</b>                    |     | <b>681</b>         | <b>56</b>    | <b>208</b>            | <b>945</b>                                 | <b>22</b> |

<sup>1</sup> Included for 10 months.

## REMUNERATION REPORT

### CHANGES IN THE REMUNERATION PER MEMBER OF THE BOARD OF MANAGEMENT AND COMPANY PERFORMANCE

(amounts x € 1,000 unless stated otherwise)

| Annual change   | Fixed and variable |                  |                  |                  |                  |
|---|--------------------|------------------|------------------|------------------|------------------|
|   | 2020/21            | 19/20<br>> 20/21 | 18/19<br>> 19/20 | 17/18<br>> 18/19 | 16/17<br>> 17/18 |
| <b>Board of Management remuneration</b>                           |                    |                  |                  |                  |                  |
| Coen Vinke (CEO)  | 454                | (2)              | 38 <sup>1</sup>  | –                | –                |
| Tanja van Dinteren (CFO)  | 228 <sup>2</sup>   | –                | –                | –                | –                |
| Eelco van Hamersveld (CTO)  | 263                | 4                | 29               | –                | –                |
| <b>Company performance</b>  |                    |                  |                  |                  |                  |
| Organic revenue growth (in %)                                     | (5%)               | 12%              | 9%               | 8%               | 5%               |
| EBITDA  | 15,475             | 13,677           | 10,672           | 10,186           | 9,150            |
| EPS (in € x 1,00)   | 11                 | 9                | 7                | 7                | 6                |
| Average remuneration on a full-time equivalent basis of employees | –                  | (2)              | 4                | 3                | (3)              |
| Number of employees of the group                                  | 436                | 425              | 419              | 413              | 411              |

<sup>1</sup> Included for 11 months.

<sup>2</sup> Included for 10 months.

#### Introduction of a Long-Term Incentive Plan

While not applicable to the 2020/2021 financial year, the Remuneration Committee is working on the introduction of a Long-Term Incentive Plan for the Board of Management. The idea is to transform part of the current variable payment into a long-term incentive, and the timetable is to use financial year 2021/2022 to establish benchmarks, with the change going live from the 2022/2023 financial year.

The move to include a long-term incentive element in the payment to the Board of Management reflects guidance set out in the Dutch Corporate Governance Code. By encouraging the establishment of long-term incentives, the Code aims to stimulate long-term value creation in three areas: finance (shareholder value), innovation and sustainability. Long-term goals are defined as being three to five years ahead, though longer is also possible, and performance payments can be made at the end of the period or at milestone points en route. As Holland Colours has always thought long-term, this change aligns how the Board members are rewarded with the existing commitment to shareholder value, innovation and improving sustainability.

### Remuneration of the Supervisory Board

The Dutch Act implementing the revised Shareholders Directive also includes a requirement to establish a remuneration policy for the Supervisory Board. The remuneration of the members of the Supervisory Board encourages them to perform their role well and does not depend on Holland Colours' results. The remuneration reflects the time spent and the responsibilities relating to their position. A remuneration benchmark is evaluated on a regular basis to establish whether the remuneration of the members of the Supervisory Board is still appropriate or requires adjustment. The remuneration does not include the award of shares or options on shares. Holland Colours does not provide any personal loans, guarantees or advance payments to the members of the Supervisory Board.

The Supervisory Board proposes the remuneration of the Supervisory Board as follows: fixed remuneration per financial year of € 38,000 for the chair and € 26,000 for each other member of the Supervisory Board. These remunerations are not subject to any general adjustment for inflation. The AGM held on July 16, 2020 adopted the Remuneration Policy of the Supervisory Board. Any changes to the compensation of the Supervisory Board will be proposed to and so subject to the approval of the Annual General Meeting of Shareholders.

## REMUNERATION REPORT

CHANGES IN THE INDIVIDUAL REMUNERATION OF THE SUPERVISORY BOARD  
OVER THE LAST 5 YEARS

(amounts x € 1,000)

|                   |            | 19/20    | 18/19    | 17/18    | 16/17    |
|-------------------|------------|----------|----------|----------|----------|
| Annual change     | 2020/21    | > 20/21  | > 19/20  | > 18/19  | > 17/18  |
| Roland Zoomers    | 38         | –        | –        | –        | 6        |
| Gert-Hein de Heer | 26         | –        | –        | –        | –        |
| Aukje Doornbos    | 26         | –        | –        | –        | –        |
| Jorrit Klaus      | 26         | –        | –        | –        | –        |
| <b>Total</b>      | <b>116</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>6</b> |



# EMPLOYEE PARTICIPATION



Our shares are traded on the Euronext Amsterdam stock exchange. Our employees participate in Holland Pigments BV, a Dutch-based investment Company, which in turn owns the majority (50.45%) of the shares in Holland Colours.

## Stability, Continuity and Independence

The goal of this majority shareholder is to promote the stability, continuity and independence of Holland Colours, including effective employee participation within the Holland Colours Group.

Every employee is a co-owner, and owners are aware that the first step to success is adding value for our customers. Employee participation encourages teamwork, proactiveness and accountability. Being a shareholder means having shared goals, responsibilities, rewards and commitment.

In addition to the employees of the Holland Colours Group, four main shareholders participate in Holland Pigments. These main shareholders endorse the importance of the employee-shareholder model and actively support this.

The management of Holland Pigments BV consists of a one-tier board. The collective shareholding of employees (around 25%) is represented by a non-executive board member, who is an employee of Holland Colours. This person is elected by the Company's employees every four years. The Board of Holland Pigments BV is currently composed of a chair (rotates each year), four non-executive members and an executive director.

## Holland Pigments Officials

The non-executive board member for employee-shareholders and the executive director of Holland Pigments are jointly responsible for effectively implementing the employee-shareholder model. To support this, each Holland Colours site elects and appoints its own Holland Pigments Official. This person liaises between the employees of Holland Colours and the Holland Pigments board. These officials also attend Holland Pigments' Annual General Meeting of Shareholders. The non-executive board member for employee-shareholders and the executive director of Holland Pigments visit the various Holland Colours sites regularly to discuss employee participation.

# FIVE-YEAR SUMMARY

IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

|  | 2020/21 | 2019/18 | 2018/19 | 2017/18 | 2016/17 |
|--|---------|---------|---------|---------|---------|
| <b>Income statement</b>  |         |         |         |         |         |
| Revenue  | 96.0    | 101.5   | 90.9    | 83.5    | 77.5    |
| Operating result before depreciation and amortisation (EBITDA) | 15.5    | 13.7    | 10.7    | 10.2    | 9.1     |
| Depreciation of property, plant, equipment and intangibles     | (3.1)   | (2.9)   | (1.9)   | (2.0)   | (1.9)   |
| Operating result   | 12.4    | 10.8    | 8.8     | 8.2     | 7.2     |
| Interest   | (0.1)   | (0.1)   | (0.1)   | –       | (0.1)   |
| Income tax   | (2.8)   | (2.8)   | (2.3)   | (2.2)   | (1.7)   |
| Result of discontinued operations                              | –       | (0.0)   | (0.2)   | (0.1)   | (0.2)   |
| Net result   | 9.6     | 7.9     | 6.1     | 5.9     | 5.2     |
| <b>Statement of financial position</b>                         |         |         |         |         |         |
| Total assets   | 68.7    | 63.2    | 57.8    | 50.2    | 49.4    |
| Total equity   | 50.6    | 47.1    | 41.8    | 36.7    | 35.9    |
| Interest-bearing debt  | –       | –       | –       | –       | –       |
| Working capital <sup>1</sup>                                   | 19.6    | 21.3    | 19.4    | 17.2    | 14.3    |
| Invested capital <sup>2</sup>                                  | 38.1    | 39.9    | 36.6    | 32.6    | 29.7    |
| Cash   | 16.6    | 7.7     | 7.4     | 5.3     | 7.5     |

<sup>1</sup> Inventories + trade accounts receivable +/- trade accounts payable.

<sup>2</sup> Property, plant & equipment, intangible assets, other investments +/- non interest bearing current liabilities.

<sup>3</sup> Sum of long-term financing, translation differences on cash and cash equivalents and derivatives.

<sup>4</sup> Equity as % of balance sheet total.

<sup>5</sup> Operating result as % of the invested capital.

|   | 2020/21 | 2019/18 | 2018/19 | 2017/18 | 2016/17 |
|---|---------|---------|---------|---------|---------|
| <b>Statement of cash flows</b>          |         |         |         |         |         |
| Cash flow from operating activities     | 14.5    | 7.8     | 7.7     | 3.3     | 7.2     |
| Investments                             | (2.0)   | (4.2)   | (2.9)   | (2.5)   | (3.6)   |
| Dividend                                | (3.9)   | (3.0)   | (2.9)   | (2.6)   | (1.9)   |
| Other financial activities <sup>3</sup> | 0.3     | (0.5)   | 0.2     | (0.4)   | (1.0)   |
| Net cash flow                           | 9.0     | 0.2     | 2.1     | (2.2)   | 0.7     |
| <b>Revenue per division</b>             |         |         |         |         |         |
| EMEIA                                   | 49.4    | 53.2    | 48.9    | 43.9    | 39.1    |
| Americas (in USD)                       | 37.9    | 36.1    | 32.4    | 34.1    | 31.6    |
| Asia (in USD)                           | 17.2    | 18.7    | 17.2    | 14.0    | 11.6    |
| <b>Ratios</b>                           |         |         |         |         |         |
| Return on Sales (ROS)                   | 12.9%   | 10.6%   | 9.6%    | 9.8%    | 9.3%    |
| Solvency <sup>4</sup>                   | 73.6%   | 74.5%   | 72.3%   | 73.1%   | 72.7%   |
| Return on Investment (ROI) <sup>5</sup> | 32.6%   | 27.0%   | 24.0%   | 25.2%   | 24.2%   |
| Working capital in % of revenue         | 20.4%   | 21.0%   | 21.3%   | 20.6%   | 18.5%   |
| Market capitalisation as at March, 31   | 106.7   | 68.8    | 65.7    | 76.6    | 59.8    |
| Number of shares outstanding            | 860,351 | 860,351 | 860,351 | 860,351 | 860,351 |

# INVESTOR RELATIONS

## Profit Appropriation and Dividend Policy

Holland Colours intends to distribute at least 50% of its net profit in the form of dividend, as long as the solvency ratio after distribution is at least 40%. Due to the specific circumstances caused by COVID-19, we deviated from the baseline. We therefore did not distribute any dividend related to financial year 2019/2020 due to the high uncertainty of the COVID-19 crisis. In November 2020, we distributed an interim dividend of € 4.55 per share. We propose to distribute a final dividend of € 5.50 per share.

## Publications

The interim results (for the period April to September) are published in October and the full-year results (from April to March) are published by the end of May/beginning of June. Company non-public information is published in the form of press releases which are also posted on our website and social media.

Please refer to the next page for the full financial calendar.

## Liquidity Provision

Holland Colours shares are traded on the Euronext Amsterdam stock exchange, classified under small caps and with a limited free float. Since March 1, 2020, Holland Colours makes no use of a liquidity provision and sponsored research services. We assessed the pros and cons of these services at the end of calendar year 2020 and decided to continue without.

## Share Ownership

The number of outstanding shares remained constant during the financial year.

|                                     |                |
|-------------------------------------|----------------|
| Shares traded on Euronext Amsterdam | 423,738        |
| Holland Pigments BV <sup>1</sup>    | 434,054        |
| Registered shares                   | 2,559          |
| <b>Total</b>                        | <b>860,351</b> |

As at March 31, 2021, the following substantial interests (>3%) were recorded in the registers of the AFM (Netherlands Authority for the Financial Markets) based on the Decree on the Disclosure of Major Holdings and Capital Interests in Issuing Institutions in accordance with the Netherlands Financial Supervision Act.

A list of shareholdings in excess of 3% is also available on the AFM website.

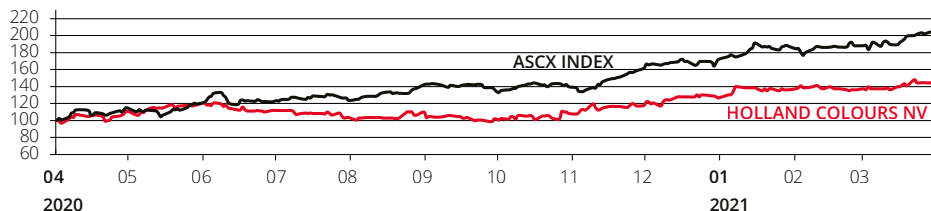
| Disclosures                      | %     | Date              |
|----------------------------------|-------|-------------------|
| Holland Pigments BV <sup>1</sup> | 50.03 | April 2, 2012     |
| Lazard Frères Gestion            | 6.97  | February 13, 2014 |
| Axxion S.A.                      | 5.55  | April 5, 2017     |
| ELNED Holding BV                 | 5.00  | March 4, 2013     |
| P. Chr. Van Leeuwen Beheer BV    | 5.06  | August 7, 2019    |
| Waag & Zübert Value AG           | 3.84  | August 24, 2016   |

<sup>1</sup> Please refer to page 49 Employee Participation. Based on our internal register, Holland Pigments BV holds 50.45% of the shares in Holland Colours NV.

## INVESTOR RELATIONS

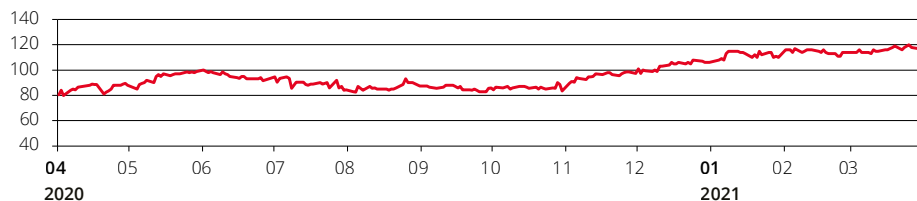
### SHARE PRICES – HOLLAND COLOURS VERSUS ASCX

April 1, 2020 = 100



### SHARE PRICES – HOLLAND COLOURS

In euros



### KEY DATA PER SHARE

In euros, unless stated otherwise

|                              | 2020/2021 | 2019/2020 | 2018/2019 | 2017/2018 | 2016/2017 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net result                   | 11.00     | 9.09      | 7.04      | 6.78      | 6.03      |
| Final dividend               | 5.50      | –         | 3.52      | 3.39      | 3.01      |
| Interim dividend             | 4.55      | –         | –         | –         | –         |
| Equity                       | 58.42     | 54.47     | 48.58     | 42.66     | 41.71     |
| Highest share price          | 125.00    | 111.00    | 94.20     | 94.20     | 71.71     |
| Lowest share price           | 82.00     | 76.00     | 74.00     | 66.25     | 45.00     |
| Number of shares outstanding | 860,351   | 860,351   | 860,351   | 860,351   | 860,351   |

### Publications (presented to AFM)

Holland Colours published the following press releases in the 2020/2021 financial year:

|                         |   |
|-------------------------|---|
| <b>April 7, 2020</b>    | Holland Colours is taking actions to mitigate the impact of the COVID-19 pandemic |
| <b>April 8, 2020</b>    | New CFO Holland Colours   |
| <b>June 4, 2020</b>     | Publication of 2019/2020 financial statements                                     |
| <b>July 16, 2020</b>    | Resolutions adopted by the Annual General Meeting of Shareholders                 |
| <b>October 27, 2020</b> | Publication of interim results 2020/2021  |

### Key dates (indicative)

|                         |   |
|-------------------------|---|
| <b>July 15, 2021</b>    | Annual General Meeting of Shareholders        |
| <b>October 22, 2021</b> | Publication of interim results 2021/2022      |
| <b>May 25, 2022</b>     | Publication of 2021/2022 financial statements |
| <b>July 7, 2022</b>     | Annual General Meeting of Shareholders        |



# FINANCIAL STATEMENTS

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## CONSOLIDATED

## INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

| In thousands of euros                           | Note  | April 1, 2020/March 31, 2021 | April 1, 2019/March 31, 2020 |
|---|-------|------------------------------|------------------------------|
| <b>Revenue</b>                                  | 7     | 96,029                       | 101,539                      |
| Cost of Materials                               |       | (49,781)                     | (55,772)                     |
| <b>Direct Contribution Margin</b>               |       | <b>46,248</b>                | <b>45,767</b>                |
| Personnel Expenses                              | 8     | (19,939)                     | (20,186)                     |
| Amortization and Impairments                    | 13    | (124)                        | (142)                        |
| Depreciation and Impairments                    | 14/15 | (2,935)                      | (2,747)                      |
| Other Operating Expenses                        | 9     | (10,834)                     | (11,904)                     |
| Total Operating Expenses                        |       | (33,832)                     | (34,979)                     |
| <b>Operating Result</b>                         |       | <b>12,416</b>                | <b>10,788</b>                |
| Finance Income                                  | 10    | 22                           | 20                           |
| Finance Expense                                 | 10    | (97)                         | (105)                        |
| Finance Income and Expense                      |       | (75)                         | (85)                         |
| Result Before Income Tax                        |       | 12,341                       | 10,703                       |
| Income Tax                                      | 11    | (2,762)                      | (2,784)                      |
| <b>Net Result from Continued Operations</b>     |       | <b>9,579</b>                 | <b>7,919</b>                 |
| Discontinued Operations                         | 12    | –                            | (23)                         |
| <b>Net Result after Discontinued Operations</b> |       | <b>9,579</b>                 | <b>7,896</b>                 |
| Attributable to:                                |       |                              |                              |
| • Shareholders of the Company                   |       | 9,471                        | 7,823                        |
| • Non-Controlling Interest                      | 23    | 108                          | 73                           |
|   |       | <b>9,579</b>                 | <b>7,896</b>                 |
| <b>Earnings per Share in euros</b>              |       |                              |                              |
| Average Number of Shares Issued                 | 22    | 860,351                      | 860,351                      |
| Earnings per Share from Continued Operations    |       | 11.00                        | 9.12                         |
| Earnings per Share from Total Net Result        |       | 11.00                        | 9.09                         |

Notes 1 to 30 are an integral part of these consolidated financial statements.

## CONSOLIDATED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

| In thousands of euros  | Note | April 1, 2020/March 31, 2021 | April 1, 2019/March 31, 2020 |
|--|------|------------------------------|------------------------------|
| <b>Net Result</b>  |      | 9,579                        | 7,896                        |
| <b>Items that will not be reclassified to the Income Statement</b>                           |      |                              |                              |
| Actuarial Results on Employee Benefits, after Tax  | 26   | (8)                          | (56)                         |
| <b>Other Comprehensive Income that could in future be classified to the Income Statement</b> |      |                              |                              |
| Foreign Currency Translation Differences   | 21   | (2,134)                      | 392                          |
| <b>Other Comprehensive Income</b>  |      | (2,142)                      | 336                          |
| <b>Total Comprehensive Income</b>  |      | <b>7,437</b>                 | <b>8,232</b>                 |
| Attributable to:   |      |                              |                              |
| • Shareholders of the Company  |      | 7,329                        | 8,159                        |
| • Non-Controlling Interest   |      | 108                          | 73                           |
|  |      | <b>7,437</b>                 | <b>8,232</b>                 |

Notes 1 to 30 are an integral part of these consolidated financial statements.

## CONSOLIDATED

## BALANCE SHEET

AS OF MARCH 31, 2021

| In thousands of euros         | Note | March 31,<br>2021 | March 31,<br>2020 |
|-------------------------------|------|-------------------|-------------------|
| <b>Non-Current Assets</b>     |      |                   |                   |
| Intangible Assets             | 13   | 156               | 280               |
| Property, Plant and Equipment | 14   | 19,354            | 20,398            |
| Right-of-Use Assets           | 15   | 1,616             | 1,425             |
| Deferred Tax Assets           | 16   | 1,319             | 1,318             |
| Long-Term Receivables         |      | 60                | 80                |
|                               |      | <b>22,505</b>     | <b>23,501</b>     |
| <b>Current Assets</b>         |      |                   |                   |
| Inventory                     | 17   | 12,604            | 12,782            |
| Trade and Other Receivables   | 18   | 16,647            | 18,857            |
| Income Tax Receivables        |      | 331               | 396               |
| Cash and Cash Equivalents     | 19   | 16,638            | 7,666             |
|                               |      | <b>46,220</b>     | <b>39,701</b>     |
| <b>Total Assets</b>           |      | <b>68,725</b>     | <b>63,202</b>     |

| In thousands of euros                              | Note | March 31,<br>2021 | March 31,<br>2020 |
|--|------|-------------------|-------------------|
| <b>Equity</b>                                      |      |                   |                   |
| Share Capital                                      | 20   | 1,953             | 1,953             |
| Share Premium Reserve                              |      | 1,219             | 1,219             |
| Other Reserves                                     | 21   | (1,633)           | 608*              |
| Retained Earnings                                  |      | 48,719            | 43,064*           |
| Equity Attributable to Shareholders of the Company | 23   | 50,258            | 46,844            |
| Non-Controlling Interest                           |      | 341               | 233               |
| <b>Total Equity</b>                                |      | <b>50,599</b>     | <b>47,077</b>     |
| <b>Non-Current Liabilities</b>                     |      |                   |                   |
| Long-Term Debt                                     | 24   | –                 | –                 |
| Lease Liabilities                                  | 25   | 956               | 565               |
| Employee Benefit Obligations                       | 26   | 1,093             | 1,134             |
| Deferred Tax Liabilities                           | 16   | 189               | 271               |
|  |      | <b>2,238</b>      | <b>1,970</b>      |
| <b>Current Liabilities</b>                         |      |                   |                   |
| Lease Liabilities                                  | 25   | 643               | 879               |
| Trade and Other Liabilities                        | 27   | 13,615            | 12,414            |
| Income Tax Liabilities                             |      | 1,546             | 775*              |
| Employee Benefit Obligations                       | 26   | 84                | 87                |
|  |      | <b>15,888</b>     | <b>14,155</b>     |
| <b>Total Equity and Liabilities</b>                |      | <b>68,725</b>     | <b>63,202</b>     |

\* Comparative figures have been restated.

Notes 1 to 30 are an integral part of these consolidated financial statements.



## CONSOLIDATED

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

In thousands of euros

## Equity attributable to Shareholders of the Company

|   | Share<br>Capital | Share<br>Premium<br>Reserve | Legal<br>Reserve for<br>Currency<br>Translation | Legal<br>Reserve<br>for Hedge | Legal<br>Reserve for<br>Intangible<br>Assets | Retained<br>Earnings | Total   | Non-<br>Controlling<br>Interest | Total<br>Equity |
|---|------------------|-----------------------------|---|-------------------------------|--|----------------------|---------|---------------------------------|-----------------|
| <b>As at March 31, 2019</b>               | 1,953            | 1,219                       | 343   | (353)                         | 402  | 38,154               | 41,718  | 160                             | 41,878          |
| Net Result for the Financial Year         | -                | -                           | -   | -                             | -  | 7,823                | 7,823   | 73                              | 7,896           |
| Other Comprehensive Income                | -                | -                           | 392   | -                             | -  | (56)                 | 336     | -                               | 336             |
| Total Comprehensive Income                | -                | -                           | 392   | -                             | -  | 7,767                | 8,159   | 73                              | 8,232           |
| Transfer of Reserve for Intangible Assets | -                | -                           | -   | -                             | (176)  | 176                  | -       | -                               | -               |
| Dividends Paid                            | -                | -                           | -   | -                             | -  | (3,033)              | (3,033) | -                               | (3,033)         |
| <b>As at March 31, 2020</b>               | 1,953            | 1,219                       | 735   | (353)                         | 226  | 43,064               | 46,844  | 233                             | 47,077          |
| Net Result for the Financial Year         | -                | -                           | -   | -                             | -  | 9,471                | 9,471   | 108                             | 9,579           |
| Other Comprehensive Income                | -                | -                           | (2,134)   | -                             | -  | (8)                  | (2,142) | -                               | (2,142)         |
| Total Comprehensive Income                | -                | -                           | (2,134)   | -                             | -  | 9,463                | 7,329   | 108                             | 7,437           |
| Transfer of Reserve for Intangible Assets | -                | -                           | -   | -                             | (107)  | 107                  | -       | -                               | -               |
| Dividends Paid                            | -                | -                           | -   | -                             | -  | (3,915)              | (3,915) | -                               | (3,915)         |
| <b>As at March 31, 2021</b>               | 1,953            | 1,219                       | (1,399)   | (353)                         | 119  | 48,719               | 50,258  | 341                             | 50,599          |

Notes 1 to 30 are an integral part of these consolidated financial statements.

## CONSOLIDATED

## CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

| In thousands of euros  | Note | April 1,<br>2020/<br>March 31,<br>2021 | April 1,<br>2019/<br>March 31,<br>2020 |
|--|------|--|--|
| Operating Result   |      | 12,416                                 | 10,788                                 |
| Adjustments for:   |      |  |  |
| • Amortization of Intangible Assets and Impairments  | 13   | 124                                    | 142                                    |
| • Depreciation of Property, Plant and Equipment and Impairments                                | 14   | 2,310                                  | 2,139                                  |
| • Depreciation of Right-of-Use Assets  | 15   | 625                                    | 608                                    |
| • Changes in Provisions  | 26   | 44                                     | (82)                                   |
| • Exchange Rate Differences  |      | 20                                     | (80)                                   |
| <b>Cash Flow from Operating Activities before changes in Working Capital, Tax and Interest</b> |      | <b>15,539</b>                          | <b>13,515</b>                          |
| Changes in Working Capital   |      | 1,066                                  | (2,774)                                |
| Income Tax Paid  |      | (2,008)                                | (2,831)                                |
| Interest Received  |      | 22                                     | 20                                     |
| Interest Paid  |      | (97)                                   | (103)                                  |
| <b>Cash Flow from Operating Activities from Continued Operations</b>                           |      | <b>14,522</b>                          | <b>7,827</b>                           |
| Cash Flow from Operating Activities from Discontinued Operations                               | 12   | –                                      | (23)                                   |
| <b>Cash Flow from Operating Activities</b>   |      | <b>14,522</b>                          | <b>7,804</b>                           |

| In thousands of euros  | Note | April 1,<br>2020/<br>March 31,<br>2021 | April 1,<br>2019/<br>March 31,<br>2020 |
|--|------|--|--|
| Capital Expenditures in Intangible Assets                              | 13   | –                                      | (3)                                    |
| Capital Expenditures in Property, Plant and Equipment                  | 14   | (1,953)                                | (4,290)                                |
| <b>Cash Flow from Investment Activities</b>                            |      | <b>(1,953)</b>                         | <b>(4,293)</b>                         |
| Dividend Paid  |      | (3,915)                                | (3,033)                                |
| <b>Cash Flow from Financing Activities</b>                             |      | <b>(3,915)</b>                         | <b>(3,033)</b>                         |
| Exchange Rate and Translation Differences on Cash and Cash Equivalents |      | 318                                    | (246)                                  |
| <b>Net Cash Flow</b>   |      | <b>8,972</b>                           | <b>232</b>                             |
| Cash and Cash Equivalents as at April 1                                |      | 7,666                                  | 7,434                                  |
| Cash and Cash Equivalents as at March 31                               |      | 16,638                                 | 7,666                                  |
| <b>Net Cash Flow</b>   | 19   | <b>8,972</b>                           | <b>232</b>                             |

Notes 1 to 30 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE

## 1. General Information

Holland Colours NV ('the Company') is a listed limited liability Company ('Naamloze Vennootschap') under Dutch law with its registered office in Apeldoorn, the Netherlands.

The Company and its subsidiaries ('the Group'), manufacture, distribute, and sell color concentrates. As of balance sheet date, the Holland Colours Group operates through eight of its own facilities and a network of agents and distributors.

Shares of the Company are listed on the Euronext stock exchange in Amsterdam.

Since April 2, 2012 just over 50% of the shares in Holland Colours NV are held by the Dutch based investment company Holland Pigments BV, in which, along with others, all employees of Holland Colours participate. The employees collectively hold approximately 25% of the shares in Holland Pigments BV. Participations held in Holland Pigments by former directors (who are also major shareholders in Holland Pigments) are excluded from this number.

The Group's financial year commences on April 1 and closes on March 31 of the following year.

The consolidated IFRS financial statements of the Company comprise the financial statements of the Company and its subsidiaries.

On June 3, 2021, the Board of Management authorized the financial statements for issue. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders on July 15, 2021.

## 2. COVID-19's impact on the Financial Statements

The pandemic situation has been closely monitored and appropriate measures have been taken to ensure a continuous service to our customers. All divisions were impacted by the pandemic. The pandemic has not impacted our going concern assumption.

Holland Colours has a strong balance sheet, a solid cash position, and generates positive operational cash flows. This gave us the confidence to distribute an interim dividend on November 10, 2020.

The pandemic had limited effect on our business and financial performance. Due to the close monitoring of our customers and working capital, there were no indications to perform detailed impairment tests.

The impact of the pandemic on the Financial Statements has been considered for each of the relevant notes, and additional disclosures have been provided in case COVID-19 had a material impact on a specific Financial Statements section. In our 2020/2021 figures, all COVID-19 related impacts have been treated as normal results from operations.

## 3. Summary of Accounting Principles

### GENERAL

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Title 9 Book 2 of the Dutch Civil Code.

The consolidated financial statements are presented in thousands of euros, rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements are prepared on the basis of historical cost.

The accounting policies as detailed below are applied consistently for all periods presented in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### OPERATING SEGMENTS

We determine and present operating segments based on the information that is used by the Board of Management. The segmentation is divisional, based on the regions in which the Group operates. In turn, these regions reflect the Group's management and internal reporting structure. Segmentation based on markets in which the Group operates requires significantly more profit allocation. This is because several products are sold in more than one market, which makes the cost for accounting ineffective.

### IFRS CHANGES

Below are the changes in the IFRS standards that have been issued and became effective as of January 1, 2020. These changes do not have a material impact on the Group.

| IFRS   | Topic                   | Effective date  |
|--------|-------------------------|-----------------|
| IFRS 9 | Interest Rate Benchmark | January 1, 2020 |
| IFRS 3 | Definition of Business  | January 1, 2020 |

New standards that will become effective for the first time after the 2020/2021 financial year are not included with early adoption. The IFRS standards shown in the table below will become effective for Holland Colours after March 31, 2021. The impact of these changes on the Group is expected to be limited.

| IFRS    | Topic                              | Effective date  |
|---------|------------------------------------|-----------------|
| IFRS 1  | Subsidiary as a First-Time Adopter | January 1, 2022 |
| IFRS 17 | Insurance Contracts                | January 1, 2022 |
| IAS 16  | Proceeds before Intended Use       | January 1, 2022 |
| IAS 37  | Cost of Fulfilling a Contract      | January 1, 2022 |

### USE OF ESTIMATES

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are included in the period in which they are revised. The most important estimates are stated under the relevant policies and relate to impairment analysis of Property, Plant and Equipment, the valuation of Inventories and the incremental borrowing rate and/or the renewal options of the Lease Liabilities.

### CONSOLIDATION

The consolidated financial statements include the accounts of Holland Colours NV and its subsidiaries. Subsidiaries are companies over which Holland Colours NV has control, because it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect returns through its power over the subsidiary. Non-controlling interests in equity and in results are presented separately.

The consolidated financial statements include the financial data of the following companies:

### Legal structure including capital interest and division structure

| Division | Subsidiaries   | Interest | Consolidated |
|----------|--|----------|--------------|
| EMEIA    | Holland Colours Europe BV, the Netherlands, Apeldoorn          | 100%     | 100%         |
| EMEIA    | Holland Colours UK Ltd, United Kingdom, Gillingham             | 100%     | 100%         |
| EMEIA    | Holland Colours Hungária Kft, Hungary, Szolnok                 | 100%     | 100%         |
| Americas | Holland Colours Canada Inc., Canada, Toronto                   | 100%     | 100%         |
| Americas | Holland Colours Americas Inc., United States, Richmond Indiana | 100%     | 100%         |
| Americas | Holland Colours Mexicana SA de CV, Mexico, Tultitlán           | 100%     | 100%         |
| Asia     | PT Holland Colours Asia, Indonesia, Surabaya*                  | 99%      | 100%         |
| Asia     | PT Holco Indo Jaya, Indonesia, Surabaya**                      | 88%      | 100%         |

\* Regarding the subsidiary PT Holland Colours Asia in Indonesia, Holland Pigments BV holds 1% of the legal ownership. Economic ownership resides with Holland Colours NV.

\*\* Regarding the subsidiary PT Holco Indo Jaya in Indonesia, PT Holland Colours Asia holds 36% of the legal and economic ownership and Holland Colours NV holds 52% of the legal and economic ownership.

There were no changes to the consolidated Group compared with the 2019/2020 financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Holland Colours NV and PT Holland Colours Asia jointly own 88% of the shares in PT Holco Indo Jaya, while the Italy-based Gaypa Srl holds the remaining 12% (12% in 2019/2020). The results of PT Holco Indo Jaya are consolidated on an integral basis in the figures for the Group. The non-controlling interest is recognized separately in the results and equity of the Group.

In the consolidated financial statements, all intercompany receivables, payables and deliveries are fully eliminated, as are the related and not yet realized results. Unrealized losses are eliminated in the same way as unrealized profits, unless there is an indication of impairment.

The comparative figures have been restated, an amount of EUR 13 is transferred from Equity to Income Tax Liabilities.

**FOREIGN CURRENCY**

Transactions included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates. Transactions in foreign currency are translated to the functional currency using the foreign exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the balance sheet date. Foreign exchange differences resulting from translation into the functional currency are recognized in the Income Statement.

Assets and liabilities of Group companies with a functional currency other than the euro are translated using the foreign exchange rate at the balance sheet date.

The Income Statement for these Group companies is translated at the average exchange rate during the financial year. Foreign exchange rate differences are recognized in unrealized results and the foreign currency translation reserve. On sale or termination of an operation outside the Eurozone, the amount concerned is transferred from Equity to the Income Statement as part of the gain or loss on sale or termination.

The principal exchange rates against the euro used in preparing the balance sheet and the statement of income are:

**Exchange Rates Used**

| in EUR          | Balance Sheet     |                   | Income Statement |               |
|-----------------|-------------------|-------------------|------------------|---------------|
|                 | March 31,<br>2021 | March 31,<br>2020 | 2020/<br>2021    | 2019/<br>2020 |
| US dollar       | 1.17              | 1.10              | 1.17             | 1.11          |
| British pound   | 0.85              | 0.89              | 0.89             | 0.87          |
| Canadian dollar | 1.48              | 1.56              | 1.54             | 1.48          |
| Mexican peso    | 24.11             | 26.21             | 25.25            | 21.60         |

**REVENUE RECOGNITION**

Revenues from contracts with customers are recognized by identifying the contract and its performance obligations as well as determination and allocation of the transaction price to these performance obligations. Revenues are recognized for each performance obligation when the control of goods or service have been transferred from Holland Colours to the customer at a point in time based on the contract. This is normally when the goods have

arrived at the customer. The revenue is measured at the fair value of the transaction price received. This means the revenue is recognized net of rebates, discounts and similar allowances and net of sales tax.

**Grants**

Government grants related to costs (which include grants related to COVID-19) are deducted from the relevant costs to be compensated in the same period. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset.

**Finance Income and Expense**

Finance Income and Expense include the income and expenses on lent and borrowed funds and interest charges on lease payments. Finance Income and Expense is recognized in the Income Statement under Finance Income and Expense if no hedge accounting is applied.

**Income Tax**

Income Tax Expenses comprises both current and deferred tax, including the effects of changes in tax rates.

The tax amount is calculated on the basis of the tax rates and tax legislation as applicable on the reporting date in the countries in which the Group operates and generates income subject to taxation. Current income tax relating to items recognized directly in Equity is recognized in Equity and not in the Income Statement. Uncertain tax positions may exist due to interpretation differences of applicable tax regulations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Current tax receivables and liabilities for the current period are measured at the amount expected to be reclaimed from or paid to the tax authorities.

### Earnings per Share

Earnings per ordinary share are calculated as the Net Result attributable to holders of ordinary shares divided by the weighted average number of outstanding shares in the period concerned.

## PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

### General

The valuation principles are primarily based on valuation of the assets and liabilities at historical cost.

### Offsetting Financial Instruments

Financial Assets and Liabilities are offset in the consolidated balance sheet only in situations of an actual legally enforceable right to offset the amounts recognized, and only if it is the intention to settle these amounts on a net basis or simultaneously.

### Intangible Assets

Costs of Development Activities are capitalized if the product or process is technically and commercially feasible, the Group has sufficient resources to complete its development, and it is expected that the product or process will generate future gains. The capitalized expenses comprise direct labor cost and a surcharge for overhead costs, to the extent that these are attributable to the project. All other research and development costs

are stated as an expense in the Income Statement at the time they are incurred.

Capitalized Development Costs are valued at cost, less accumulated amortization and impairments, if applicable. Amortization costs are charged to the Income Statement over their estimated useful life, which is typically five years.

Intangible Assets are assessed for impairment if there are events or indications that an intangible asset might be subject to a loss in value. The amortization period and method for an intangible asset with a measurable useful life are assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by changing the amortization period or method and are treated as changes in accounting estimates.

### Other Intangible Assets

The Other Intangible Assets consist of the costs of computer software and licenses, plus the external costs related to their implementation and commissioning. Other Intangible Assets are measured at historical cost; that is, the acquisition price or production cost less cumulative amortization and any applicable impairments.

### Amortization

Amortization of Intangible Assets is charged to the Income Statement according to the straight-line method. The basis applied is the estimated useful life of each component within an item that falls into the Development

Costs and Other Intangible Assets category. The estimated useful life is as follows:

|                   |           |
|-------------------|-----------|
| Development Costs | 5 years   |
| Other             | 3-5 years |

### Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation based on the estimated useful life of the assets concerned and impairment losses. The costs of assets produced in-house comprise material costs, direct labor cost and an appropriate portion of the directly attributable overhead costs. Finance costs are added to the costs of Property, Plant and Equipment if these meet the conditions for recognition in the balance sheet. If significant parts of Property, Plant and Equipment must be replaced at regular intervals, the Group recognizes these as separate assets with their own useful life and depreciation method. All other repair and maintenance costs are recognized in the Income Statement at the time they occur.

Property, Plant and Equipment are assessed for impairment if there are events or indications that an item may have lost value. The depreciation period and method for Property, Plant and Equipment with a measurable useful life is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset, or in its expected pattern of future economic benefits, are accounted for by adjusting either the depreciation period or method. These are treated as changes in accounting estimate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Financial Non-Current Assets**

Loans and receivables for which the maturity date is more than 12 months after the balance sheet date are presented as Financial Non-Current Assets. On initial recognition, these are measured at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are valued at amortized cost using the effective interest rate method, less any impairment. Gains or losses arising from changes in the amortized cost are accounted for in the Income Statement under Finance Expense.

**Right-of-Use Assets**

We assess whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognized as Right-of-Use Assets on the balance sheet under Non-Current Assets. The related lease liability is recognized as an obligation on the balance sheet under Non-Current Liabilities and Current Liabilities. The Group applies judgement in evaluating the term of lifetime of a lease. A judgement has to be made whether it is reasonably certain to exercise an option to renew or terminate a lease. The non-cancelable term of the lease is then determined based on these judgements. If the Group expects that the expiry date of the current contract will not in fact be the actual end date, the lease obligation is determined to include extension periods.

The Group uses the practical expedients to apply a single incremental borrowing rate per portfolio of leases. Leases

of low-value objects and non-lease components are excluded for buildings. Non-lease components do not apply to vehicle fuel costs, because fuel costs do not form part of the lease term. The Group uses the implicit interest rate when available. If not, the Group uses an Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow the necessary funds, over a similar term and with a similar security, to obtain an asset of similar value to the Right-of-Use Asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. This necessitates estimating when no observable rates are available or when rates need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR based on observable inputs (such as market interest rates) and is required to make certain entity specific estimates. For this financial year the weighted average IBR is 4.4%.

Right-of-Use Assets are depreciated using the straight-line method over the lifetime of the object, in line with the duration of the contract. The net present value of the obligation is calculated using the applicable discount rate for object and country. The periodical payments to the lessor, based on the lease contract, can be considered as repayments of the obligation. The depreciations costs are charged as Depreciation and Amortization, the service costs as Other Operating Expenses and the interest expenses as Finance Expense to the Income Statement.

The lease and rental agreements included in the standard for Lease and Rental Obligations are classified as Right-of-

Use Assets. Property, Plant and Equipment acquired by means of leases or rentals are, at the moment of capitalization, measured using the then net present value of the lease payments. The depreciation period for Right-of-Use Assets reflects the duration of the underlying lease or rental contract. The depreciation method is straight-line.

The depreciation period and method for Right-of-Use Assets is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by adjusting either the depreciation period or method. These are treated as changes in accounting estimate.

Low-value leases, below € 5,000 per underlying asset, are not recognized in the Right-of-Use Assets and Lease Liabilities. Lease payments on the lease of low-value assets are recognized as expensed on a straight-line basis over the lease term and recognized as general and administrative expenses in the statement of profit or loss. Low-value leases are not recognized in the balance sheet.

**Depreciation**

Depreciation is charged to the Income Statement according to the straight-line method on the basis of the estimated useful life of each component of items of Property, Plant and Equipment. Depreciation is not applied to land.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The estimated useful life is as follows:

|                          |             |
|--------------------------|-------------|
| Buildings                | 25-40 years |
| Machinery and Equipment  | 10 years    |
| Other Non-Current Assets | 3-5 years   |
| Right-of-Use Assets      | 1-10 years  |

The remaining useful life, residual value and depreciation method are assessed on an annual basis.

### Impairment of Non-Current Assets

An asset is impaired if its realizable value is less than its carrying amount. Non-Current assets are assessed on an annual basis for indications of impairment per location. If there are such indications, or events, the realizable value of the asset concerned is estimated based on either its directly realizable value or its value in use to the Company. The impairment test is primarily based on cashflow forecasts of five years. Elements considered to determine if a different approach would be more appropriate are, among others, high growth/emerging economies, geographical expansion opportunities and the introduction of new product lines. The cashflow forecast is calculated with the expected free cashflow and discounted to the present value using a weighted average cost of capital of 8% for the Group. Sensitivity tests are performed for growth assumptions, scenario-based adjustments to the free cashflow forecast and for the weighted average cost of capital.

An impairment loss is reversed if there is a change to the estimates used. The reversal is done to the extent that the

carrying amount of the asset does not exceed the carrying amount that would have been the case if no impairment had been recognized – so after deduction of the then applicable depreciation.

### Deferred Income Tax

A receivable is recognized or a provision is formed for deferred tax positions using the balance sheet method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amount of these items for tax purposes.

The carrying amount of Deferred Tax Assets is assessed at reporting date and reduced if and when it is unlikely that sufficient taxable profit will be available to absorb these temporary differences and/or changes incurred to the assessment base (such as a change in the corporate tax rate). Deferred Tax Assets not recorded are reassessed at reporting date and recorded when deemed realizable based on expected future taxable profits.

Deferred Tax Assets and Liabilities are valued at the tax rates and under the tax law that has been substantially enacted at the balance sheet date and which are expected to apply in the period in which the asset is realized or the liability is settled.

Under certain circumstances, current and deferred tax is recognized outside profit or loss either in Other Comprehensive Income or directly in Equity, depending on the item the tax relates to.

Deferred Tax Assets and Liabilities are offset if, and only if there is a legally recognized right to set off current tax assets and liabilities, and the Deferred Tax Assets and Liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

There is a degree of uncertainty around the correct interpretation of complex tax regulations and the amount and timing of future taxable profits.

Given the huge diversity of international business relations, discrepancies between the assumptions made and the actual outcomes, or future changes in such assumptions, this could lead to future changes in the tax payments and returns already recognized.

### Inventories

Inventories are measured at the lower of cost and net realizable value. The cost price for inventories is based on the FIFO principle (first in, first out). Finished Goods is valued at production cost including costs of raw materials and a surcharge to direct and indirect production costs. This valuation is based on normal capacity, or at realizable value if lower. The net realizable value comprises the estimated selling price in the normal course of the business, less the estimated cost for completion and estimated costs necessary to make the sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The estimated selling price is based on actual selling prices and the recent history of sales information per product. Aging of products is tracked and based on in line with the aging management estimates of the risk of obsolescence and this is used to adjust the valuation of the inventory accordingly.

**Trade and Other Receivables**

Trade and Other Receivables are recognized initially at fair value and subsequently at amortized cost. A provision for non-collectability is established based on expected credit loss.

The Group measures the expected credit losses allowance for its trade receivables for the whole lifetime of the receivables (simplified approach). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. If these differences are substantial, they are grouped based on days past due and security, when applicable. The expected loss rates are based on the historical payment profiles of sales of the last five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information when these would affect the ability of customers to settle the receivables. Management assesses forward looking information in relation to the specific market in which it operates. Bad debts are written off entirely once the inability to collect has been established with certainty. Indicators that there is no reasonable expectation of

recovery include, amongst others, the failure to make the contractual payments for a period longer than the local applicable payment term, or a trade debtor has financial difficulties, or a trade debtor is unable to engage in a repayment plan with the Group.

**Cash and Cash Equivalents**

Cash and Cash Equivalents comprises cash balances and short-term deposits that are available on call. Cash and Cash Equivalents are financial instruments that are classified as measured at amortized cost.

**Dividends**

Dividends payable to shareholders are recognized as a liability to shareholders once the proposed profit appropriation has been approved by the Annual General Meeting of Shareholders.

**Employee Benefit Obligations**

Holland Colours Group has a number of pension plans in accordance with local conditions and practices. The voluntarily pension plans of the subsidiaries are in line with local legislation and regulation and are included in the financial statements as defined contribution plans. These involve the payment of predetermined premiums to an insurance company. The terms of these pension plans mean that Holland Colours Group has no legal or factual obligation to pay additional premiums if the insurance company has insufficient means to fund current or future pensions.

**Other Employee Benefits**

The termination of the pre-pension plan (including the transitional arrangement) for employees in the Netherlands has led to the originally agreed conditional financing of past service years being converted into an annual payment of the same amount. This is also conditional. The most important conditions for this payment are that an employee must still be in the Company's service at the time of the annual payment and that the Group's financial results are assessed by the Board of Management as being sufficient to cover this payment. The Group has included a provision for this future liability, which will end in September 2037. Any revaluation of this future liability is recognized in the profit and loss account.

The Group has also included a provision for other long-term obligations regarding Employee Benefits. These include jubilee payments, which are earned by employees for their service in the current and previous reporting periods.

The obligations are calculated partly on the basis of actuarial principles and based on a discount rate of (0.6%) (2019/2020 (0.6%)) in accordance with the IBoxx Index Government bonds. They are recognized under Non-Current Liabilities. The expenses are reported in the Income Statement under Personnel Expenses. All assumptions are reassessed at balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****Provisions**

A provision is recognized in the balance sheet when there is a present obligation (legal or constructive) for the Group as a result of a past event and it is probable that an outflow of economic benefits will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for restructuring of activities are recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. We do not provide for future operating costs.

**Lease Liabilities**

The obligation arising from lease and rental agreements is classified as Lease Liabilities on the balance sheet. Lease Liabilities that run longer than 12 months are recognized under Non-Current Liabilities. Lease Liabilities shorter than 12 months are recognized under Current Liabilities. The estimated value of the liability is the calculated net present value of the remaining periodical payments as included in the contract. Applicable discount rates have been determined for each object and country of the lease portfolio for the calculation of the net present value.

**Trade and Other Payables**

Trade and Other Payables are recognized initially at fair value and subsequently measured at amortized cost.

**Determination of Fair Value**

Certain accounting policies as well as disclosures by the Group require fair value assessments of financial and non-financial assets and liabilities. Further information on the principles used in these assessments is provided in the notes relating to the specific asset or liability.

*Long-Term Receivables*

Long-term Receivables at fixed and variable interest rates are assessed by the Group on the basis of factors such as the applicable interest rate and the borrower's individual creditworthiness. When necessary, a provision is formed for losses expected on these receivables on the basis of this assessment. As at March 31, 2021, the carrying amount of these receivables did not vary materially from their fair value.

*Trade and Other Receivables*

The fair value of Trade Debtors and Other Receivables is estimated as the net present value of future cash flows, based on market interest rates as at the reporting date. This fair value is determined for informative purposes.

financial results as much as possible. The Board of Management is responsible for managing the risks associated with our activities and the establishment and adequate functioning of appropriate risk management and control systems.

**CURRENCY RISK**

The reporting currency of the Group is the euro. Being a global operation, the Group is exposed to a variety of foreign currencies. Currency risk arises from engaging in commercial transactions in non-functional currencies (mainly USD). Holland Colours aims to limit the effect of transaction-related exchange-rate exposure on the Group by preferring to invoice in the functional currency of the supplying entity, which in most cases is regional. Currency hedging on outstanding AR or projected sales is not in place. The Group participates in several foreign subsidiaries of which the net equity is mainly USD nominated. This is subject to currency translation risk in the consolidation process. The impact varies over the years and is complicated to mitigate due to the long term fluctuations in the EUR-USD rate. This risk is monitored but not hedged.

**4. Financial Risk Management**

As part of the normal conduct of its business, the Group is exposed to a variety of financial risks such as currency risk, credit risk, liquidity risk, interest risk and capital risk. In terms of risk management policy, it is recognized that the financial markets are volatile and that the aim should be to limit the potential negative effects of this on the Group's



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below shows the sensitivity of the net result after tax and the equity (including translation effects) to the US dollar with all other variables kept constant:

|            | 2020/2021            |                      | 2019/2020            |                      |
|------------|----------------------|----------------------|----------------------|----------------------|
|            | Increase EUR-USD 10% | Decrease EUR-USD 10% | Increase EUR-USD 10% | Decrease EUR-USD 10% |
| Net Result | (813)                | 674                  | (519)                | 625                  |
| Equity     | (2,479)              | 3,052                | (2,356)              | 2,794                |

In relative terms, the various currencies affected the Group's net sales and expenses as follows:

|              | Revenue     |             | Expenses    |             |
|--------------|-------------|-------------|-------------|-------------|
|              | 2020/2021   | 2019/2020   | 2020/2021   | 2019/2020   |
| Euro         | 46%         | 46%         | 43%         | 42%         |
| US dollar    | 39%         | 39%         | 43%         | 43%         |
| Other        | 15%         | 15%         | 14%         | 15%         |
| <b>Total</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

### CREDIT RISK

Credit risk is the risk of financial loss by the Group in the event a customer fails to meet their contractual obligations. Credit risk mainly arises from receivables from customers. Holland Colours follows an active policy to minimize credit risk. This policy includes strict internal guidelines regarding overdue payments, the use of sales information systems, the consultation of external sources and, where necessary, requesting security for payment. Due to its distribution over a large number of customers and geographical areas, there is no significant concentration of credit risk. There is no insurance for credit risk in place. The cash transactions are executed with creditworthy financial institutions.

### LIQUIDITY RISK

Liquidity risk is the risk that Holland Colours is unable to meet its obligations when they are due. Holland Colours' policy with regard to liquidity risk is to ensure to the best of its ability that sufficient committed credit facilities are available to meet its payment obligations in time, in both normal and exceptional situations. The Trade and Other liabilities all fall due within one year.

The Group aims to maintain flexibility in funding by keeping credit lines available at a number of well-known financial institutions. On the basis of cashflow forecasting models, the Group tests whether the available credit

facilities will cover the expected credit need. Based on the analysis, the Group believes that the current expected credit need is covered sufficiently.

### INTEREST RATE RISK

At the end of the fiscal year, there were no current or non-current borrowings. As the Group has no significant interest-bearing assets and liabilities, the direct impact of changes in the market rates to the Group's income and operating cash flow is limited.

### CAPITAL RISK

The policy of the Group regarding the capital structure of the company is based on the solvency. The solvency remains above 60% and is calculated by equity/total assets. In addition, the Group aims to finance its activities with equity.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques whereby the lowest-level input as significant for valuation at fair value is directly or indirectly observable;
- Level 3: Valuation techniques whereby the lowest level input as significant for valuation at fair value is not observable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in the fair value of the above-mentioned Financial Instruments, if accounted for at fair value, are recognized in the Income Statement unless hedge accounting is applied.

The fair value of Financial Instruments is calculated on the basis of the net present value of the expected future cash flows by virtue of repayment and interest payments. The calculation is not based on observable market data.

Trade and Other Receivables, Payables to Suppliers, Credit Institutions and Other Debt due to expire within one year are included in the financial statements at amortized cost. The amortized cost is considered to be a reflection of fair value due to the short duration.

## 5. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currencies are translated at transaction date.

## 6. Segment Information

The Group is divided into geographical segments for management as well as business purposes. The segment information contained in the financial statements is therefore presented based on the organizational structure of the Group. In this, the three operating units each represent a region and the holding, under 'Other', represents General Management, Innovation and Technology and other central functions.

The Board of Management monitors the operating result of the geographic segments to facilitate the decision-making process in relation to the allocation of resources and the performance evaluation. The operating result of the segments are determined and based on the same accounting principles as the operating result shown in the consolidated financial statements.

The funding of the Group, including loan structure and dividend policy as well as the current income tax, deferred income tax and certain financial assets and liabilities are also not allocated to the segments since these items are supervised at Group level.

Transfer prices for transactions and services between the operating segments are set on an arm's-length basis.

Revenue in the Netherlands accounted for 52% (2019/2020: 51%) and the USA accounted for 24% (2019/2020: 23%) of total revenue. There are no other significant revenue concentrations in specific countries. The Group companies in the identified segments are to some extent dependent on certain large customers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Segments 2020/2021                             | EMEIA   | Americas | Asia   | Other  | Adjustments/<br>Eliminations | Total   |
|--|---------|----------|--------|--------|------------------------------|---------|
| Revenue  | 48,929  | 32,236   | 14,864 | –      | –                            | 96,029  |
| Intersegmental Transactions                    | 902     | 29       | –      | –      | (931)                        | –       |
| Revenue including Intersegmental Transactions  | 49,831  | 32,265   | 14,864 | –      | (931)                        | 96,029  |
| Depreciation, Amortization and Impairments     | (1,242) | (707)    | (349)  | (313)  | (448)                        | (3,059) |
| Operating Result from Continued Operations     | 3,676   | 3,745    | 3,805  | 1,190  | –                            | 12,416  |
| Operating Result from Discontinued Operations  | –       | –        | –      | –      | –                            | –       |
| Operating Result after Discontinued Operations | 3,676   | 3,745    | 3,805  | 1,190  | –                            | 12,416  |
| Financial Income                               | –       | –        | –      | –      | 22                           | 22      |
| Financial Expense                              | –       | –        | –      | –      | (97)                         | (97)    |
| Tax  | –       | –        | –      | –      | (2,762)                      | (2,762) |
| Net Result                                     | –       | –        | –      | –      | 9,579                        | 9,579   |
| Non-Current Assets                             | 10,024  | 5,940    | 3,822  | 52,093 | (49,375)                     | 22,505  |
| Current Assets                                 | 20,230  | 16,264   | 7,516  | 2,134  | 76                           | 46,220  |
| Liabilities                                    | 14,182  | 3,781    | 2,291  | 3,297  | (5,425)                      | 18,126  |
| Total Investments                              | 1,388   | 406      | 159    | 1      | –                            | 1,954   |
| Average Number of Employees (in FTE)           | 208     | 101      | 112    | 15     | –                            | 436     |

| Segments 2019/2020                             | EMEIA   | Americas | Asia   | Other  | Adjustments/<br>Eliminations | Total   |
|--|---------|----------|--------|--------|------------------------------|---------|
| Revenue  | 52,207  | 32,541   | 16,791 | –      | –                            | 101,539 |
| Intersegmental Transactions                    | 1,015   | 25       | 24     | –      | (1,064)                      | –       |
| Revenue including Intersegmental Transactions  | 53,222  | 32,566   | 16,815 | –      | (1,064)                      | 101,539 |
| Depreciation, Amortization and Impairments     | (1,149) | (642)    | (285)  | (222)  | (591)                        | (2,889) |
| Operating Result from Continued Operations     | 3,275   | 2,144    | 3,534  | 1,835  | –                            | 10,788  |
| Operating Result from Discontinued Operations  | –       | –        | (23)   | –      | –                            | (23)    |
| Operating Result after Discontinued Operations | 3,275   | 2,144    | 3,511  | 1,835  | –                            | 10,765  |
| Financial Income                               | –       | –        | –      | –      | 20                           | 20      |
| Financial Expense                              | –       | –        | –      | –      | (105)                        | (105)   |
| Tax  | –       | –        | –      | –      | (2,784)                      | (2,784) |
| Net Result                                     | –       | –        | –      | –      | 7,896                        | 7,896   |
| Non-Current Assets                             | 9,924   | 6,688    | 3,534  | 46,815 | (43,460)                     | 23,501  |
| Current Assets                                 | 16,487  | 13,466   | 8,637  | 1,681  | (570)                        | 39,701  |
| Liabilities                                    | 13,050  | 3,899    | 2,894  | 1,634  | (5,352)                      | 16,125  |
| Total Investments                              | 2,371   | 1,692    | 461    | (289)  | 1,856                        | 6,091   |
| Average Number of Employees (in FTE)           | 207     | 99       | 103    | 16     | –                            | 425     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. Revenue

The table below shows the breakdown of Revenue per market segment.

|                                | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--------------------------------|----------------------------------|----------------------------------|
| Building & Construction        | 42,632                           | 44,762                           |
| Packaging                      | 31,663                           | 34,230                           |
| Coatings, Sealants & Adhesives | 12,593                           | 13,428                           |
| Other                          | 9,141                            | 9,119                            |
| <b>Total Revenue</b>           | <b>96,029</b>                    | <b>101,539</b>                   |

### 8. Personnel Expenses

The table below shows the breakdown for Personnel Expenses.

|                           | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|---------------------------|----------------------------------|----------------------------------|
| Wages and Salaries        | (16,987)                         | (17,248)                         |
| Social Security           | (1,943)                          | (1,993)                          |
| Pension Costs             | (1,009)                          | (945)                            |
| <b>Personnel Expenses</b> | <b>(19,939)</b>                  | <b>(20,186)</b>                  |

For the 2020/2021 financial year, an accrual for profit sharing of € 1,708 is included (2019/2020: € 1,167). This is included under Wages and Salaries. All employees in the Group are eligible for the profit-sharing plan. Payments depend on the Group's ROI and the operating result of the Division in which the individual employee works.

The remuneration of the Board of Management and the Supervisory Board is shown in Note 29: Related Parties. The pension costs relate to defined contribution plans.

Wages and salaries in the 2020/2021 financial year include € 1,083 of government grants (2019/2020: € 79), including € 1 million COVID-19 assistance in the USA (2019/2020: nil).

In the 2020/2021 financial year, the average number of employees was 436 FTEs (2019/2020: 425 FTEs).

### 9. Other Operating Expenses

The table below shows the main components of the Other Operating Expenses.

|                                 | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|---------------------------------|----------------------------------|----------------------------------|
| Other Personnel                 | (2,610)                          | (2,543)                          |
| Travel and Accommodation        | (639)                            | (1,588)                          |
| Maintenance                     | (1,288)                          | (1,525)                          |
| Energy                          | (1,089)                          | (1,178)                          |
| Consulting                      | (1,971)                          | (1,382)                          |
| Materials                       | (1,154)                          | (1,205)                          |
| Insurance                       | (560)                            | (572)                            |
| Other Costs                     | (1,523)                          | (1,911)                          |
| <b>Other Operating Expenses</b> | <b>(10,834)</b>                  | <b>(11,904)</b>                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. Finance Income and Expense

|                                   | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|-----------------------------------|----------------------------------|----------------------------------|
| Finance Income                    | 22                               | 20                               |
| Finance Expense                   | (97)                             | (105)                            |
| <b>Finance Income and Expense</b> | <b>(75)</b>                      | <b>(85)</b>                      |

## 11. Income Tax

The main components of the Tax charge in the 2020/2021 financial year are shown in the table below.

|  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--|----------------------------------|----------------------------------|
| <b>Consolidated Income Statement</b>                                 |                                  |                                  |
| Corporate Income Tax due this year:                                  |                                  |                                  |
| • Current Income Tax   | (2,855)                          | (2,680)                          |
| • Tax Incentive Programs, including Innovation Box                   | 117                              | 140                              |
| • Other Taxes, including Applied Withholding Tax                     | (107)                            | 405                              |
| Deferred Tax:  |                                  |                                  |
| • In relation to the existence and reversal of temporary differences | 83                               | (649)                            |
| <b>Income Tax recognized in the Consolidated Income Statement</b>    | <b>(2,762)</b>                   | <b>(2,784)</b>                   |

The Corporate Income Tax as recognized in the consolidated income statement amounted to € 2.8m versus € 2.8m the previous year. The deferred tax asset position was increased by € 83 (this was reduced the previous year by € 649). The increase mainly related to the

change in tariffs in the Netherlands. Please refer to note 16 as well. The Other Taxes mainly relate to local applied Withholding Taxes on dividends and royalties paid to the Company by the operating entities in Indonesia, Canada and Mexico. These accumulated charges are gradually applied against the Dutch corporate income tax.

Calculation of effective tax rate starting at statutory tax rate in the Netherlands:

|  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--|----------------------------------|----------------------------------|
| Result before Income Tax   | 12,341                           | 10,703                           |
| At the 25% rate applicable in the Netherlands                          | (25.0%) (3,085)                  | (25.0%) (2,677)                  |
| Effect of different tax rates in countries in which the Group operates | 0.0% –                           | (0.0%) (3)                       |
| Tax exempt income COVID-19 assistance                                  | 2.0% 252                         | – –                              |
| Adjustments of Tax recorded in previous years                          | 0.3% 32                          | (2.0%) (209)                     |
| Expenses not tax-deductible  | (0.7%) (84)                      | (0.6%) (63)                      |
| Tax incentive programs   | 0.9% 117                         | 1.3% 140                         |
| Other differences  | 0.0% 6                           | 0.3% 28                          |
|  | <b>(22.5%) (2,762)</b>           | <b>(26.0%) (2,784)</b>           |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. Discontinued Operations

Operations from our China production entity ended per February 15, 2017. We have finished the liquidation process of the legal entity in the financial year 2019/2020. Results relating to the closure and liquidation were recognized as results from discontinued operations.

|  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--|----------------------------------|----------------------------------|
| Other Operating Expenses                       | –                                | (23)                             |
| <b>Operating Result</b>                        | –                                | (23)                             |
| <b>Net Result from Discontinued Operations</b> | –                                | (23)                             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. Intangible Assets

|                              | Development<br>Costs | Other   | Assets under<br>Construction | Total   |
|------------------------------|----------------------|---------|------------------------------|---------|
| <b>As at March 31, 2019</b>  |                      |         |                              |         |
| Cost                         | 1,979                | 1,765   | 28                           | 3,772   |
| Accumulated Amortization     | (1,569)              | (1,727) | –                            | (3,296) |
| Carrying Amount              | 410                  | 38      | 28                           | 476     |
| <b>Change in Asset Value</b> |                      |         |                              |         |
| Capital Expenditures         | –                    | 3       | –                            | 3       |
| Carrying Amount of Disposals | (57)                 | (1,264) | –                            | (1,321) |
| Impairments                  | –                    | 1,264   | –                            | 1,264   |
| Amortization                 | (127)                | (15)    | –                            | (142)   |
| Exchange Rate Differences    | –                    | –       | –                            | –       |
| Balance                      | (184)                | (12)    | –                            | (196)   |
| <b>As at March 31, 2020</b>  |                      |         |                              |         |
| Cost                         | 1,922                | 504     | 28                           | 2,454   |
| Accumulated Amortization     | (1,696)              | (478)   | –                            | (2,174) |
| Carrying Amount              | 226                  | 26      | 28                           | 280     |
| <b>Change in Asset Value</b> |                      |         |                              |         |
| Capital Expenditures         | –                    | –       | –                            | –       |
| Transfer                     | –                    | 28      | (28)                         | –       |
| Amortization                 | (107)                | (17)    | –                            | (124)   |
| Exchange Rate Differences    | –                    | –       | –                            | –       |
| Balance                      | (107)                | 11      | (28)                         | (124)   |
| <b>As at March 31, 2021</b>  |                      |         |                              |         |
| Cost                         | 1,922                | 532     | –                            | 2,454   |
| Accumulated Amortization     | (1,803)              | (495)   | –                            | (2,298) |
| Carrying Amount              | 119                  | 37      | –                            | 156     |

The Company's total expenses for research and development were € 2,390 in the financial year (2019/2020: € 1,324). The expenses are included under Personnel Expenses, Depreciation, Amortization and Other Operating Expenses. Due to the development structure of the research and technology department, the Group does not comply with all the criteria for capitalizing development costs in line with IAS 38.57. The amortization amounting to € 124 (2019/2020: € 142) is recognized under Amortization and Impairments in the consolidated Income Statement.

There were no impairments in the 2020/2021 financial year in relation to the capitalized development costs (2019/2020: nil). The Other Intangible Assets consist of the purchase price of computer software and licenses, as well as the external costs related to their implementation and commissioning.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment

|   | Land and<br>Buildings | Machinery and<br>Equipment | Other   | Assets under<br>Construction | Total    |
|---|-----------------------|----------------------------|---------|------------------------------|----------|
| <b>As at March 31, 2019</b>                             |                       |                            |         |                              |          |
| Cost  | 24,229                | 30,759                     | 7,087   | 1,159                        | 63,234   |
| Accumulated Depreciation                                | (14,434)              | (24,227)                   | (6,422) | –                            | (45,083) |
| Carrying Amount   | 9,795                 | 6,532                      | 665     | 1,159                        | 18,151   |
| <b>Change in Asset Value</b>                            |                       |                            |         |                              |          |
| Capital Expenditures                                    | 775                   | 5,189                      | 408     | (487)                        | 5,885    |
| Carrying Amount of Disposals                            | (367)                 | (5,763)                    | (2,530) | –                            | (8,660)  |
| Depreciation of Disposed Assets                         | 313                   | 4,259                      | 2,412   | –                            | 6,984    |
| Depreciation  | (674)                 | (1,210)                    | (255)   | –                            | (2,139)  |
| Exchange Rate Differences                               | 99                    | 63                         | 7       | 8                            | 177      |
| Balance   | 146                   | 2,538                      | 42      | (479)                        | 2,247    |
| <b>As at March 31, 2020</b>                             |                       |                            |         |                              |          |
| Cost  | 24,736                | 30,248                     | 4,972   | 680                          | 60,636   |
| Accumulated Depreciation                                | (14,795)              | (21,178)                   | (4,265) | –                            | (40,238) |
| Carrying Amount   | 9,941                 | 9,070                      | 707     | 680                          | 20,398   |
| <b>Change in Asset Value</b>                            |                       |                            |         |                              |          |
| Capital Expenditures                                    | 1,334                 | 443                        | 115     | 61                           | 1,953    |
| Transfer Assets under Construction                      | 44                    | 186                        | 123     | (353)                        | –        |
| Transfer Cost between Categories                        | 206                   | (206)                      | –       | –                            | –        |
| Transfer Accumulated Depreciation<br>between Categories | (130)                 | 130                        | –       | –                            | –        |
| Disposal Cost Price                                     | (164)                 | (883)                      | (304)   | –                            | (1,351)  |
| Disposal Accumulated Depreciation                       | 128                   | 779                        | 303     | –                            | 1,210    |
| Depreciation  | (682)                 | (1,371)                    | (257)   | –                            | (2,310)  |
| Exchange Rate Differences                               | (384)                 | (144)                      | (19)    | 1                            | (546)    |
| Balance   | 352                   | (1,066)                    | (39)    | (291)                        | (1,044)  |
| <b>As at March 31, 2021</b>                             |                       |                            |         |                              |          |
| Cost  | 25,353                | 29,116                     | 4,701   | 389                          | 59,559   |
| Accumulated Depreciation                                | (15,060)              | (21,112)                   | (4,033) | –                            | (40,205) |
| Carrying Amount   | 10,293                | 8,004                      | 668     | 389                          | 19,354   |

The capital expenditures include nil (2019/2020: nil) of capitalized Personnel Expenses. No impairments occurred in the 2020/2021 financial year (2019/2020: nil), while the asset count led to Disposals. Most of the Disposed Assets were already fully depreciated and the impact on book value of PP&E was € 141 (2019/2020: € 58). The Group has provided collateral to a maximum of € 724 (2019/2020: € 770) in the form of mortgage rights on buildings in Indonesia.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. Right-of-Use Assets

The table below shows the movement of Right-of-Use Assets. These Assets consists of capitalized lease and rental contracts.

|                              | Land and<br>Buildings | Machinery<br>and<br>Equipment | Vehicles | Other | Total |
|------------------------------|-----------------------|-------------------------------|----------|-------|-------|
| <b>As at April 1, 2019</b>   | 522                   | 193                           | 861      | 3     | 1,579 |
| <b>Change in Asset Value</b> |                       |                               |          |       |       |
| New Contracts                | 161                   | –                             | 117      | –     | 278   |
| Depreciation                 | (147)                 | (138)                         | (326)    | (3)   | (614) |
| Other Adjustments            | 48                    | 103                           | 31       | –     | 182   |
| Balance                      | 62                    | (35)                          | (178)    | (3)   | (154) |
| <b>As at March 31, 2020</b>  |                       |                               |          |       |       |
| Carrying Amount              | 584                   | 158                           | 683      | –     | 1,425 |
| <b>Change in Asset Value</b> |                       |                               |          |       |       |
| New Contracts                | 128                   | 76                            | 612      | –     | 816   |
| Depreciation                 | (152)                 | (62)                          | (411)    | –     | (625) |
| Transfer                     | –                     | (63)                          | 63       | –     | –     |
| Balance                      | (24)                  | (49)                          | 264      | –     | 191   |
| <b>As at March 31, 2021</b>  |                       |                               |          |       |       |
| Carrying Amount              | 560                   | 109                           | 947      | –     | 1,616 |

## 16. Deferred Income Tax Assets and Liabilities

Deferred Income Tax resulting from temporary differences between the fiscal and commercial value of assets and liabilities is accounted for in the nominal tax rate applicable in the country concerned, but only if it is likely to be realized from future taxable profits. This likelihood assessment is based on projections of the future taxable results of the relevant entities in the Group. These projections are partly based on approved budgets.

The Deferred Tax Assets and Liabilities stated in the balance sheet can be attributed to the following items:

|  | April 1, 2020/<br>March 31, 2021 |             | April 1, 2019/<br>March 31, 2020 |             |
|--|----------------------------------|-------------|----------------------------------|-------------|
|  | Assets                           | Liabilities | Assets                           | Liabilities |
| Property, Plant and Equipment                | 297                              | 189         | 230                              | 233         |
| Financial Non-Current Assets                 | 219                              | –           | 229                              | –           |
| Inventories                                  | 151                              | –           | 201                              | –           |
| Other Receivables                            | 245                              | –           | 257                              | –           |
| Employee Benefits                            | 342                              | –           | 336                              | –           |
| Other Assets                                 | 65                               | –           | 66                               | 38          |
| Tax Loss Carry-Forward                       | –                                | –           | –                                | –           |
| <b>Balance of Assets and<br/>Liabilities</b> | <b>1,319</b>                     | <b>189</b>  | <b>1,318</b>                     | <b>271</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

|  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--|----------------------------------|----------------------------------|
| Current                                    | 14                               | 17                               |
| Non-Current                                | 1,116                            | 1,030                            |
| <b>Deferred Tax Assets and Liabilities</b> | <b>1,130</b>                     | <b>1,047</b>                     |

|  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--|----------------------------------|----------------------------------|
| <b>Change in Net Deferred Tax</b>          |                                  |                                  |
| Opening Balance                            | 1,047                            | 1,696                            |
| Recognized in Income Statement             | 83                               | (649)                            |
| <b>Deferred Tax Assets and Liabilities</b> | <b>1,130</b>                     | <b>1,047</b>                     |

The deferred tax asset position was increased by € 83 (reduced the previous year by € 649) due to changes in tariffs (previous year mainly relating to the loss from finalizing the liquidation of Holland Colours China Ltd).

## 17. Inventory

|                  | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|------------------|----------------------------------|----------------------------------|
| Raw Materials    | 7,173                            | 6,470                            |
| Finished Goods   | 5,431                            | 6,312                            |
| <b>Inventory</b> | <b>12,604</b>                    | <b>12,782</b>                    |

The Income Statement includes an amount of € 46,429 (2019/2020: € 51,890) under the direct selling cost and raw materials for usage of inventory goods.

At March 31, 2021, the provision for obsolete inventory amounted to € 1,010 (March 31, 2020: € 1,013). Movements in the provision for obsolete inventory are shown below.

|                                      | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|--------------------------------------|----------------------------------|----------------------------------|
| Opening Balance                      | (1,013)                          | (962)                            |
| Additions to the Provision           | (319)                            | (59)                             |
| Impairments Charged to the Provision | 299                              | 8                                |
| Exchange Rate Differences            | 23                               | –                                |
| <b>Closing Balance</b>               | <b>(1,010)</b>                   | <b>(1,013)</b>                   |

Impairments charged to the provision relates to sales from inventory where provided for, or to disposal of obsolete inventory.

## 18. Trade and Other Receivables

|                                    | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|------------------------------------|----------------------------------|----------------------------------|
| Trade Debtors                      | 14,703                           | 16,800                           |
| Tax-Related Receivables            | 907                              | 1,066                            |
| Prepaid Items                      | 1,037                            | 991                              |
| <b>Trade and Other Receivables</b> | <b>16,647</b>                    | <b>18,857</b>                    |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Tax-Related Receivables relates to a VAT claim in Indonesia. The Group expects to receive the claim in full in the next financial year. The aging specification of Trade Debtors is shown in the table below.

|                          | March 31, 2021 | March 31, 2020 |
|--------------------------|----------------|----------------|
| Not yet due              | 13,589         | 14,978         |
| Overdue 0-30 days        | 940            | 1,295          |
| Overdue 31-60 days       | 84             | 279            |
| Overdue 61-365 days      | 38             | 174            |
| Overdue 366 days or more | 52             | 74             |
| <b>Total</b>             | <b>14,703</b>  | <b>16,800</b>  |

| Trade Debtors by Currency | March 31, 2021 | March 31, 2020 |
|---------------------------|----------------|----------------|
| Euro                      | 8,121          | 8,878          |
| US dollar                 | 5,198          | 6,626          |
| British pound             | 420            | 301            |
| Other Currencies          | 964            | 995            |
| <b>Total</b>              | <b>14,703</b>  | <b>16,800</b>  |

Trade and Other Receivables with less than one year to maturity are recognized initially at fair value and subsequently at amortized cost. Additions to the Provision for Doubtful Debts are included in the Income Statement under Other Operating Expenses.

The table below shows movements in the Provision for Doubtful Debts.

|   | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|---|----------------------------------|----------------------------------|
| Opening Balance                             | (191)                            | (82)                             |
| Releases from or additions to the Provision | 58                               | (117)                            |
| Write-off of Trade Debtors                  | (27)                             | –                                |
| Exchange Rate Differences                   | (1)                              | 8                                |
| <b>Closing Balance</b>                      | <b>(161)</b>                     | <b>(191)</b>                     |

## 19. Cash and Cash Equivalents

|                                    | March 31, 2021 | March 31, 2020 |
|------------------------------------|----------------|----------------|
| Bank Balances                      | 16,633         | 7,660          |
| Cash Balances                      | 5              | 6              |
| <b>Cash in Cash Flow Statement</b> | <b>16,638</b>  | <b>7,666</b>   |

The Cash and Cash Equivalents are freely available to the Company. The credit risk on Cash and Cash Equivalents is limited as the counterparties are generally banks with high credit ratings from international credit-rating agencies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. Share Capital

### ISSUED SHARE CAPITAL

The registered capital of Holland Colours NV is € 6,810 divided into 3,000,000 ordinary shares with a face value of € 2.27 per share. Of this registered total, an amount of 860,351 shares are issued and fully paid up. The total issued share capital is € 1,953. There were no changes to the issued capital in either the 2020/2021 or the 2019/2020 financial year.

### SHARE PREMIUM RESERVE

The Share Premium Reserve of € 1,219 is available for distribution to shareholders and is unchanged relative to the last financial year.

## 21. Other Reserves

### LEGAL RESERVE FOR FOREIGN CURRENCY TRANSLATION

The Foreign Currency Translation Reserve relates to all exchange-rate differences that originate from the translation of the financial statements of the subsidiaries with a functional currency other than the euro. This only applies to the non-monetary accounts. These translation results are directly allocated to Equity via Other Comprehensive Income. This practice was initiated on April 1, 2004, in accordance with the exception allowed in IFRS 1.

### LEGAL RESERVE FOR HEDGE

Hedge accounting is applied to the net investment hedge of a USD 2.5 million loan that was redeemed as of March 2016. Hedge accounting results are included in Other Comprehensive Income until the net investment is sold. At that time, the results are recognized in the Income Statement. The net investment reserve is reduced by Deferred Taxes.

### LEGAL RESERVE FOR INTANGIBLE ASSETS

A statutory reserve for development costs is formed in the Company financial statements, although not specifically required under IFRS. This statutory reserve is formed within equity to maintain alignment with Equity in the Company financial statements.

The above-mentioned reserves may not be distributed freely to shareholders. Negative amounts reduce the amount available for distribution and positive amounts are non-distributable.

## 22. Earnings per Share

Earnings per share allocated to shareholders (ordinary and diluted) in the 2020/2021 financial year amounted to € 11.00 (2019/2020: € 9.09). The calculation of the earnings per share at March 31, 2021 is based on the net result attributable to shareholders of € 9,471 (2019/2020: € 7,823) and the average number of shares issued in the 2020/2021 financial year of 860,351. The total number of issued shares did not change compared to March 31, 2020.

## 23. Non-Controlling Interest

This concerns a non-controlling interest of 12% in the net asset value at March 31, 2021 of PT Holco Indo Jaya (2019/2020: 12%).

## 24. Credit Facility

The company does not have any long-term debt positions outstanding (March 31, 2020: also nil). Short term funding needs are covered with access to current account credit facilities of € 7,937 per balance sheet date (March 31, 2020: € 8,002). These facilities are provided by various international and local banks and have no expiration date. The amount drawn was nil at the March 31 balance sheet date for both 2021 and 2020.

The bank agreements and collateral provided in relation to the Group's financing is limited to mortgage rights on real estate in Indonesia with a maximum value of € 724 (March 31, 2020: € 770).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. Lease Liabilities

The Group recognized Lease Liabilities on the balance sheet. The table below shows the movement and breakdown of Non-Current and Current Lease Liabilities.

|                        | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|------------------------|----------------------------------|----------------------------------|
| Opening Balance        | 1,444                            | 1,579                            |
| Lease Payments         | (660)                            | (667)                            |
| New Contracts          | 815                              | 278                              |
| Other Adjustments      | –                                | 254                              |
| <b>Closing Balance</b> | <b>1,599</b>                     | <b>1,444</b>                     |

|                               | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|-------------------------------|----------------------------------|----------------------------------|
| Non-Current Lease Liabilities | 956                              | 565                              |
| Current Lease Liabilities     | 643                              | 879                              |
| <b>Total</b>                  | <b>1,599</b>                     | <b>1,444</b>                     |

Maturity analysis – contractual undiscounted cashflows:

|                       | March 31, 2021 | March 31, 2020 |
|-----------------------|----------------|----------------|
| Less than 1 year      | 75             | 118            |
| Between 1 and 5 years | 1,618          | 1,460          |
| Longer than 5 years   | –              | –              |
| <b>Total</b>          | <b>1,693</b>   | <b>1,578</b>   |

## 26. Employee Benefit Obligations

**PRE-PENSION PLAN IN THE NETHERLANDS**

The pre-pension plan in the Netherlands relates to the obligation to issue a conditional annual payment.

As explained in Note 3, the originally agreed conditional financing of past service years in the pre-pension plan has been converted into an equivalent annual payment, which is also conditional. At March 31, 2021 the resulting liability amounted to € 299. On March 31, 2020 the liability was € 392.

**LEGAL LIABILITY ON TERMINATION OF EMPLOYMENT – INDONESIA**

This mainly relates to the legal liability to make a payout should the employment of Indonesian personnel be terminated. As of the reporting date, the primary actuarial assumptions are:

|   | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| Discount Rate                             | 7.0%           | 8.3%           |
| Expected Return Fund Capital Expenditures | 7.0%           | 8.3%           |
| Future Salary Increases                   | 6.0%           | 7.0%           |
| Average Remaining Period of Employment    | 8.00           | 9.20           |

Assumptions relating to future mortality rates are based on published statistical data and mortality tables. The mortality table used is the TMI 2011 (2019/2020: TMI 2011) table with a correction factor varying for age and gender. The total expected long-term Return on Investment amounts to 7.0% (March 31, 2020: 8.3%).

**OTHER EMPLOYEE BENEFITS**

The Other Employee Benefits item also includes a provision for future jubilee payments of € 285 (March 31, 2020: € 274) and other future payments of € 11 (March 31, 2020: € 18).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movements in the Employee Benefit Obligations are shown in the table below.

|                             | Pre-<br>pension<br>Plan the<br>Netherlands | Statutory<br>Termination<br>Employment<br>Plan<br>Indonesia | Other<br>Employee<br>Benefits | Total |
|-----------------------------|--|---|-------------------------------|-------|
| <b>As at March 31, 2019</b> | 448  | 479   | 328                           | 1,255 |
| Additions                   | –  | 51  | 18                            | 69    |
| Withdrawals/Releases        | (56)                                       | (4)   | (51)                          | (111) |
| Exchange Rate Differences   | –  | 11  | (3)                           | 8     |
| <b>As at March 31, 2020</b> | 392  | 537   | 292                           | 1,221 |
| Additions                   | –  | 102   | 2                             | 104   |
| Withdrawals/Releases        | (93)                                       | (24)  | –                             | (117) |
| Exchange Rate Differences   | –  | (32)  | 1                             | (31)  |
| <b>As at March 31, 2021</b> | 299  | 583   | 295                           | 1,177 |

Of this total, the following amounts have been accounted for under current liabilities:

|                             | Pre-<br>pension<br>Plan the<br>Netherlands | Statutory<br>Termination<br>Employment<br>Plan<br>Indonesia | Other<br>Employee<br>Benefits | Total |
|-----------------------------|--|---|-------------------------------|-------|
| <b>As at March 31, 2021</b> | 21   | –   | 63                            | 84    |
| As at March 31, 2020        | 19   | –   | 68                            | 87    |

## 27. Trade and Other Liabilities

|                                    | March 31, 2021 | March 31, 2020 |
|------------------------------------|----------------|----------------|
| Trade Creditors                    | 7,739          | 8,948          |
| Payables Regarding Other Taxes     | 505            | 349            |
| Other Liabilities and Accruals     | 5,371          | 3,117          |
| <b>Trade and Other Liabilities</b> | <b>13,615</b>  | <b>12,414</b>  |

The Payables regarding Other Taxes relates mainly to sales tax.

The Other Liabilities and Accruals also includes a profit share to be paid to employees of € 2,048 (March 31, 2020: € 1,210).

# OTHER DISCLOSURES

IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE

## 28. Commitments and Contingencies

### CAPITAL COMMITMENTS

The Group had entered into capital commitments regarding Property, Plant and Equipment as at balance sheet date of € 1,025 (March 31, 2020: € 909).

### PURCHASE CONTRACTS

The total commitment resulting from raw material purchase contracts was € 2,977 (March 31, 2020: € 2,388).

## 29. Related Parties

### IDENTITY OF RELATED PARTIES

The related parties can be divided into the relations between the Group on the one hand and its subsidiary companies, the members of the Board of Management, Supervisory Board, and the holding company Holland Pigments BV.

### REMUNERATION OF KEY OFFICERS OF THE GROUP

The key officers are the members of the Board of Management.

### REMUNERATION POLICY

The remuneration policy for the Board of Management, which consists of the Chief Executive Officer, Chief Financial Officer and Chief Technology Officer, is set by the Supervisory Board. A separate Remuneration Committee is in place. Holland Colours strives to pay remuneration in line with the market for a company of its size, and in proportion to its overall salary structure. The remuneration package consists of a fixed element and a variable element. Fixed salaries are adjusted annually in line with inflation.

The variable payment for the Board of Management consists of a bonus plan based on achieving financial and non-financial targets. The bonus is up to three times the monthly salary in the event that 100% of the targets are achieved. The Board of Management also participates in the profit-sharing plan, under which Holland Colours pays up to 1.5 months' salary. For the Board of Management, the profit-sharing plan depends on the ROI realized by Holland Colours whereby 75% of this part of the bonus is paid in shares of Holland Pigments. Based on the results for the 2020/2021 financial year the Board of Management will receive such a payment. For 2020/2021, the Board of Management partly achieved the bonus targets. An accrual for payout has been made.

The Company does not offer an option plan.

The Group does not provide any personal loans, guarantees or advance payments to the members of the Board of Management or the Supervisory Board.

The contracts with the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer specify a term of appointment of four years and a severance payment which is in accordance with the recommendations of the Dutch Corporate Governance Code.



## OTHER DISCLOSURES

The breakdown of the remuneration for the Board of Management and Supervisory Board is listed in the table below.

| Board of Management   | Coen Vinke |           | Tanja van Dinteren     |           | Eelco van Hamersveld |           | Margret Kleinsman |                        | Total     |           |
|-----------------------|------------|-----------|------------------------|-----------|----------------------|-----------|-------------------|------------------------|-----------|-----------|
|                       | 2020/2021  | 2019/2020 | 2020/2021 <sup>1</sup> | 2019/2020 | 2020/2021            | 2019/2020 | 2020/2021         | 2019/2020 <sup>2</sup> | 2020/2021 | 2019/2020 |
| Fixed Salary          | 329        | 326       | 162                    | –         | 190                  | 185       | –                 | 179                    | 681       | 690       |
| Pension Expenses      | 26         | 25        | 10                     | –         | 20                   | 19        | –                 | 23                     | 56        | 67        |
| Variable Element      | 99         | 105       | 56                     | –         | 53                   | 55        | –                 | –                      | 208       | 160       |
| Non-Recurring Payment | –          | –         | –                      | –         | –                    | –         | –                 | –                      | –         | –         |
|                       | 454        | 456       | 228                    | –         | 263                  | 259       | –                 | 202                    | 945       | 917       |

### Transactions with Key Officers

Other than the regular remuneration, no transactions with key officers took place during the financial year.

### Other Interests of Members of the Board of Management

No transactions were effectuated during the financial year with parties in which any of the Supervisory Board Members, Members of the Board of Management or their partners have an interest.

| Supervisory Board | 2020/2021 | 2019/2020 |
|-------------------|-----------|-----------|
| Roland Zoomers    | 38        | 38        |
| Gert-Hein de Heer | 26        | 26        |
| Aukje Doornbos    | 26        | 26        |
| Jorrit Klaus      | 26        | 26        |
| <b>Total</b>      | 116       | 116       |

<sup>1</sup> Included for 10 months.

<sup>2</sup> Included for 9 months.

The Annual General Meeting of Shareholders determines the remuneration of the Supervisory Board Members. The fixed remuneration is intended to be in line with the market given the size of the Company.

### Holland Pigments BV

At the balance sheet date, the Dutch based investment company Holland Pigments BV held 434,054 (March 31, 2020: 434,048) shares in Holland Colours NV. Within Holland Pigments BV employees collectively held approximately 25% of the shares of Holland Pigments BV.

The costs incurred by Holland Pigments BV in connection to activities relating to the employee participation are partly reimbursed by Holland Colours NV, please refer to page 49 for a further description of the activities of Holland Pigments. An amount of € 91 was accordingly paid to Holland Pigments BV in the 2020/2021 financial year (2019/2020: € 91).

At the balance sheet date, there was no outstanding material position with Holland Pigments BV. Receivables from and payables to Holland Pigments BV are not covered by commercial collateral, are non-interest-bearing and are settled in cash.

## OTHER DISCLOSURES

## 30. Other Disclosures

**PROFIT-SHARING PLAN**

Holland Colours Group operates a profit-sharing plan for its employees. The plan is the same for all Group employees and may, depending on the ROI and operating result of the Division, result in a payment of up to 1.5 months' salary. Depending on the position of the individual employee, 25% to 75% of this payment is made in Holland Pigments BV shares in recognition of the employee participation model. Settlement to the employees takes place after the financial statements have been adopted by the Annual General Meeting of Shareholders of Holland Colours. The applicable shares in Holland Pigments BV are purchased for the employee at the last calculated price of Holland Pigments BV shares. The remainder of the profit-sharing payment is paid in cash to the employees by Holland Colours NV after the relevant statutory deductions have been made.

A profit-sharing payment is applicable to the employees on the basis of the results in the 2020/2021 financial year.

The shares held by Holland Pigments BV in Holland Colours NV are specified below.

|   | 2020/2021  | 2019/2020  |
|---|------------|------------|
| <b>Number of Shares in Holland Colours NV held by Holland Pigments BV</b> |            |            |
| Situation at April 1  | 434,048    | 434,043    |
| Purchased by Holland Pigments BV  | 6          | 5          |
| Situation at March 31   | 434,054    | 434,048    |
| <b>In euros</b>   |            |            |
| Share Price of Holland Colours NV at Balance Sheet Date                   | 124.00     | 80.00      |
| Value   | 53,822,696 | 34,723,840 |

**SUBSEQUENT EVENTS**

No events took place after the reporting period that could materially affect the financial statements.

**EMPLOYEE NUMBERS**

During the 2020/2021 financial year, the Company employed an average of 436 FTEs (2019/2020: 425 FTEs). Of these, 137 FTEs (2019/2020: 140 FTEs) were employed in the Netherlands.

## COMPANY

## INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

| In thousands of euros    | Note  | April 1, 2020/March 31, 2021 | April 1, 2019/March 31, 2020 |
|--------------------------|-------|------------------------------|------------------------------|
| Management Fees          |       | 7,130                        | 7,156                        |
| Personnel Expenses       | 34    | (2,859)                      | (2,278)                      |
| Amortization             | 36    | (123)                        | (141)                        |
| Depreciation             | 37/38 | (189)                        | (280)                        |
| Other Costs              |       | (2,731)                      | (2,677)                      |
| <b>Operating Result</b>  |       | <b>1,228</b>                 | <b>1,780</b>                 |
| Interest Income          |       | 93                           | 24                           |
| Interest Expenses        |       | (28)                         | -                            |
| <b>Result before Tax</b> |       | <b>1,293</b>                 | <b>1,804</b>                 |
| Income Tax               | 35    | (360)                        | (527)                        |
| Result Subsidiaries      | 39    | 8,538                        | 6,546                        |
| <b>Net Result</b>        |       | <b>9,471</b>                 | <b>7,823</b>                 |

## COMPANY

## BALANCE SHEET

AS OF MARCH 31, 2021

BEFORE PROPOSED PROFIT APPROPRIATION

| In thousands of euros             | Note | March 31, 2021 | March 31, 2020 |
|-----------------------------------|------|----------------|----------------|
| <b>Non-Current Assets</b>         |      |                |                |
| Intangible Assets                 | 36   | 154            | 277            |
| Property, Plant and Equipment     | 37   | 1,161          | 1,242          |
| Right-of-Use Assets               | 38   | 271            | 194            |
| Financial Non-Current Assets      | 39   | 49,834         | 38,961         |
|                                   |      | <b>51,420</b>  | <b>40,674</b>  |
| <b>Current Assets</b>             |      |                |                |
| Receivables from Group Companies  |      | 596            | 6,906          |
| Other Receivables and Prepayments |      | 188            | 194            |
| Cash and Cash Equivalents         |      | 1,523          | 916            |
|                                   |      | <b>2,307</b>   | <b>8,016</b>   |
| <b>Total Assets</b>               |      | <b>53,727</b>  | <b>48,690</b>  |

| In thousands of euros                | Note | March 31, 2021 | March 31, 2020 |
|--------------------------------------|------|----------------|----------------|
| <b>Equity</b>                        |      |                |                |
| Share Capital                        | 40   | 1,953          | 1,953          |
| Share Premium Reserve                | 40   | 1,219          | 1,219          |
| Statutory Reserves                   | 40   | (1,633)        | 608*           |
| Retained Earnings                    | 40   | 39,248         | 35,241*        |
| Result for the Year                  | 40   | 9,471          | 7,823*         |
| <b>Total Equity</b>                  |      | <b>50,258</b>  | <b>46,844</b>  |
| <b>Non-Current Liabilities</b>       |      |                |                |
| Lease Liabilities                    | 43   | 193            | 114            |
| Employee Benefit Obligations         | 44   | 21             | 56             |
|                                      |      | <b>214</b>     | <b>170</b>     |
| <b>Current Liabilities</b>           |      |                |                |
| Payables to Group Companies          |      | 172            | 18             |
| Lease Liabilities                    | 43   | 147            | 85             |
| Income Tax Liabilities               |      | 1,230          | 412            |
| Other Liabilities and Accrued Income |      | 1,706          | 1,161*         |
|                                      |      | <b>3,255</b>   | <b>1,676</b>   |
| <b>Total Equity and Liabilities</b>  |      | <b>53,727</b>  | <b>48,690</b>  |

\* Comparative figures have been restated.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE

## 31. General Information

The Company financial statements are part of the financial statements of Holland Colours NV and are prepared in accordance with the legal requirements of Title 9, Book 2 of the Dutch Civil Code. Holland Colours NV applies the same accounting policies to the Company financial statements as those used in the consolidated financial statements under the possibility given in Article 2:362, paragraph 8 of the Dutch Civil Code to apply. The only exception relates to the accounting standards relating to participations in Group companies. Investments in consolidated subsidiaries are measured at net asset value.

The 2020/2021 Company financial statements were presented to the Supervisory Board to be approved for publication on June 3, 2021. The financial statements will be presented to the Annual General Meeting of Shareholders for adoption on July 15, 2021.

## 32. Summary of Accounting Principles

The accounting policies used for the Company financial statements are the same as those used for the consolidated financial statements. Unless other standards are stated, the reader is referred to the standards stated in the consolidated financial statements.

## 33. Subsidiaries

### INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries and other companies over which the Company has a controlling interest or exercises central management are measured at net asset value. The net asset value is based on the measurement of assets, provisions and liabilities, and the determination of net profit in accordance with the accounting policies used in the consolidated financial statements.

## 34. Personnel Expenses

|                                 | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|---------------------------------|----------------------------------|----------------------------------|
| Wages and Salaries              | (2,536)                          | (1,947)                          |
| Social Security                 | (161)                            | (150)                            |
| Pension Costs                   | (162)                            | (181)                            |
| <b>Total Personnel Expenses</b> | <b>(2,859)</b>                   | <b>(2,278)</b>                   |

The average number of employees in the Company in the 2020/2021 financial year was 15 FTEs (2019/2020: 16 FTEs). For an explanation of the remuneration of management, please refer to Note 29, Related Parties, of the consolidated financial statements.

## 35. Income Tax

|                         | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|-------------------------|----------------------------------|----------------------------------|
| <b>Current Tax</b>      |                                  |                                  |
| Current Year            | (511)                            | 22                               |
| Prior Years             | (14)                             | (212)                            |
| Deferred Tax            | 165                              | (337)                            |
| <b>Total Income Tax</b> | <b>(360)</b>                     | <b>(527)</b>                     |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 36. Intangible Assets

|                                    | Development<br>Costs | Other   | Assets under<br>Construction | Total   |
|------------------------------------|----------------------|---------|------------------------------|---------|
| <b>As at March 31, 2019</b>        |                      |         |                              |         |
| Cost                               | 1,979                | 1,357   | 28                           | 3,364   |
| Accumulated Amortization           | (1,569)              | (1,320) | –                            | (2,889) |
| Carrying Amount                    | 410                  | 37      | 28                           | 475     |
| <b>Change in Asset Value</b>       |                      |         |                              |         |
| Capital Expenditures               | –                    | –       | –                            | –       |
| Carrying Amount of Disposed Assets | (57)                 | (1,264) | –                            | (1,321) |
| Amortization of Disposed Assets    | –                    | 1,264   | –                            | 1,264   |
| Amortization                       | (127)                | (14)    | –                            | (141)   |
| Balance                            | (184)                | (14)    | –                            | (198)   |
| <b>As at March 31, 2020</b>        |                      |         |                              |         |
| Cost                               | 1,922                | 93      | 28                           | 2,043   |
| Accumulated Amortization           | (1,696)              | (70)    | –                            | (1,766) |
| Carrying Amount                    | 226                  | 23      | 28                           | 277     |
| <b>Change in Asset Value</b>       |                      |         |                              |         |
| Capital Expenditures               | –                    | –       | –                            | –       |
| Transfer                           | –                    | 28      | (28)                         | –       |
| Amortization                       | (107)                | (16)    | –                            | (123)   |
| Balance                            | (107)                | 12      | (28)                         | (123)   |
| <b>As at March 31, 2021</b>        |                      |         |                              |         |
| Cost                               | 1,922                | 121     | –                            | 2,043   |
| Accumulated Amortization           | (1,803)              | (86)    | –                            | (1,889) |
| Carrying Amount                    | 119                  | 35      | –                            | 154     |

The Company's total expenses for research and development were € 1,734 in the financial year (2019/2020: €717). Of this amount nil (2019/2020: nil) is capitalized, whereas the remainder is reported under Other Income and Expenses after Tax in the Company financial statements.

The costs of Amortization and Impairments of € 123 (2019/2020: € 141) are included in the Amortization item in the Company financial statements.

Most of the disposed Assets in previous year were already fully depreciated and the impact on the book value of Intangible Assets was € 57.

The Other Intangible Assets consist of the costs of computer software and licenses, and the external costs related to their implementation and commissioning.



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 37. Property, Plant and Equipment

The costs of Depreciation and Impairments of € 82 (2019/2020: € 76) are included in the Depreciation item in the Company financial statements.

|   | Land and<br>Buildings | Machinery and<br>Equipment | Other<br>Capital Assets | Assets under<br>Construction | Total   |
|---|-----------------------|----------------------------|-------------------------|------------------------------|---------|
| <b>As at March 31, 2019</b>                             |                       |                            |                         |                              |         |
| Cost  | 3,804                 | 1,845                      | 625                     | –                            | 6,274   |
| Accumulated Depreciation                                | (2,762)               | (1,373)                    | (535)                   | –                            | (4,670) |
| Carrying Amount   | 1,042                 | 472                        | 90                      | –                            | 1,604   |
| <b>Change in Asset Value</b>                            |                       |                            |                         |                              |         |
| Capital Expenditures                                    | 73                    | –                          | –                       | 32                           | 105     |
| Carrying Amount of Disposals                            | (775)                 | (1,639)                    | (356)                   | –                            | (2,770) |
| Depreciation of Disposed Assets                         | 751                   | 1,259                      | 369                     | –                            | 2,379   |
| Impairments   | –                     | –                          | –                       | –                            | –       |
| Depreciation  | (13)                  | (16)                       | (47)                    | –                            | (76)    |
| Balance   | 36                    | (396)                      | (34)                    | 32                           | (362)   |
| <b>As at March 31, 2020</b>                             |                       |                            |                         |                              |         |
| Cost  | 3,102                 | 206                        | 269                     | 32                           | 3,609   |
| Accumulated Depreciation                                | (2,024)               | (130)                      | (213)                   | –                            | (2,367) |
| Carrying Amount   | 1,078                 | 76                         | 56                      | 32                           | 1,242   |
| <b>Change in Asset Value</b>                            |                       |                            |                         |                              |         |
| Capital Expenditures                                    | –                     | –                          | –                       | 1                            | 1       |
| Transfer Assets under Construction                      | 32                    | –                          | –                       | (32)                         | –       |
| Carrying Amount of Disposals                            | –                     | –                          | –                       | –                            | –       |
| Transfer Cost between Categories                        | 206                   | (206)                      | –                       | –                            | –       |
| Transfer Accumulated Depreciation<br>between Categories | (130)                 | 130                        | –                       | –                            | –       |
| Depreciation  | (42)                  | –                          | (40)                    | –                            | (82)    |
| Balance   | 66                    | (76)                       | (40)                    | (31)                         | (81)    |
| <b>As at March 31, 2021</b>                             |                       |                            |                         |                              |         |
| Cost  | 3,340                 | –                          | 269                     | 1                            | 3,610   |
| Accumulated Depreciation                                | (2,196)               | –                          | (253)                   | –                            | (2,449) |
| Carrying Amount   | 1,144                 | –                          | 16                      | 1                            | 1,161   |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 38. Right-of-Use assets

The table below shows the movement of Right-of-Use Assets. These assets consist of capitalized lease and rental contracts.

|                              | Vehicles | Total |
|------------------------------|----------|-------|
| <b>As at April 1, 2019</b>   | 281      | 281   |
| <b>Change in Asset Value</b> |          |       |
| New Contracts                | 117      | 117   |
| Depreciation                 | (204)    | (204) |
|                              | (87)     | (87)  |
| <b>As at March 31, 2020</b>  |          |       |
| Carrying Amount              | 194      | 194   |
| <b>Change in Asset Value</b> |          |       |
| New Contracts                | 184      | 184   |
| Depreciation                 | (107)    | (107) |
|                              | 77       | 77    |
| <b>As at March 31, 2021</b>  |          |       |
| Carrying Amount              | 271      | 271   |

## 39. Financial Non-Current Assets

The Financial Non-Current Assets can be specified as follows:

|  | March 31, 2021 | March 31, 2020 |
|--|----------------|----------------|
| Investments in Subsidiaries                      | 42,329         | 38,221         |
| Loans to Group companies and Deferred Tax Assets | 7,505          | 740            |
| <b>Financial Non-Current Assets</b>              | <b>49,834</b>  | <b>38,961</b>  |

The table below shows movements in the investments in subsidiaries.

|                            | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|----------------------------|----------------------------------|----------------------------------|
| <b>Opening Balance</b>     | 38,221                           | 32,855                           |
| Movements:                 |                                  |                                  |
| • Result from Subsidiaries | 8,538                            | 6,546                            |
| • Change in Equity         | (8)                              | (56)                             |
| • Dividends Declared       | (2,288)                          | (1,516)                          |
| • Currency Translations    | (2,134)                          | 392                              |
| <b>Closing Balance</b>     | <b>42,329</b>                    | <b>38,221</b>                    |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

Movements in the Loans to Group companies and Deferred Tax Assets are shown below.

|                             | Deferred<br>Tax<br>Assets | Loans to<br>Group<br>companies | Total |
|-----------------------------|---------------------------|--------------------------------|-------|
| <b>As at March 31, 2019</b> | 1,121                     | 275                            | 1,396 |
| Additions                   | –                         | –                              | –     |
| Withdrawals                 | (381)                     | (275)                          | (656) |
| <b>As at March 31, 2020</b> | 740                       | –                              | 740   |
| Additions                   | 75                        | 6,950                          | 7,025 |
| Withdrawals                 | –                         | (260)                          | (260) |
| <b>As at March 31, 2021</b> | 815                       | 6,690                          | 7,505 |

## 40. Equity

For a clarification on the Share Capital and Share Premium, as well as the movement of the Foreign Currency Translation Reserve, Hedge Reserves and Other Reserves, please refer to the Statement of Equity and to Notes 20 and 21 of the consolidated balance sheet, as there are no differences between Company Equity and consolidated Equity.

## 41. Statutory Provisions regarding the Appropriation of Profits

### REGARDING THE APPROPRIATION OF PROFITS, THE ARTICLES OF ASSOCIATION STATE THE FOLLOWING:

#### Article 21

1. From the profit established in the approved financial statements, reserves are formed as determined by the Board of Management with the approval of the Supervisory Board.
2. The profit remaining after the transfer to the reserves and distribution as stated in paragraph 1 is at the disposal of the Annual General Meeting of Shareholders, with due regard to the provisions of Section 105, Book 2 of the Dutch Civil Code.
3. The Board of Management, with the approval of the Supervisory Board, is authorized to decide on the distribution of an interim dividend with due regard to the provisions of Article 105 Book 2 of the Dutch Civil Code.
4. The dividend will be made payable within one month after it has been set, in the manner and at the place determined by the Board of Management.
5. Claims for profit distribution expire after a period of five years from the date on which the dividends were made payable.
6. A resolution regarding the disposal of any reserve may be adopted by the Annual General Meeting of Shareholders with due regard to the legal and statutory provisions.

### PROPOSAL FOR THE APPROPRIATION OF PROFIT

In compliance with Article 21 of the Articles of Association and the Dividend Policy as discussed in the Annual General Meeting of Shareholders of last year, and set out on page 51 under Investor Relations, it is proposed to appropriate the total net profit to the other reserves. The proposal for appropriation of profit has not been included in the balance sheet.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 42. Credit Facility

The Company has an available credit facility in the Netherlands of € 7,000 (March 31, 2020: € 7,000). Per end of March 2021, the Company has not used this credit facility and no collaterals have been provided.

## 43. Lease Liabilities

The Company recognized Lease Liabilities on the balance sheet. The table below shows the movement and breakdown of Non-Current and Current Lease Liabilities.

|                        | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|------------------------|----------------------------------|----------------------------------|
| Opening Balance        | 199                              | 281                              |
| Lease Payments         | (43)                             | (199)                            |
| New Contracts          | 184                              | 117                              |
| <b>Closing Balance</b> | <b>340</b>                       | <b>199</b>                       |

|                               | April 1, 2020/<br>March 31, 2021 | April 1, 2019/<br>March 31, 2020 |
|-------------------------------|----------------------------------|----------------------------------|
| Non-Current Lease Liabilities | 193                              | 114                              |
| Current Lease Liabilities     | 147                              | 85                               |
| <b>Total</b>                  | <b>340</b>                       | <b>199</b>                       |

Maturity analysis – contractual undiscounted cashflows:

|                       | March 31, 2021 | March 31, 2020 |
|-----------------------|----------------|----------------|
| Less than 1 year      | 19             | 15             |
| Between 1 and 5 years | 330            | 188            |
| Longer than 5 years   | –              | –              |
| <b>Total</b>          | <b>349</b>     | <b>203</b>     |

## 44. Employee Benefit Obligations

This employee benefit provision relates to the obligation to issue a conditional annual payment.

The liabilities regarding employee benefits also include the item Other Employee Benefits. This relates to a provision for future jubilee payments of € 12 (March 31, 2020: € 7) and other future payments of nil (March 31, 2020: nil).

Movements in the Employee Benefit Obligations were as follows:

|                             | Pre-pension<br>Plan<br>the Netherlands | Other<br>Employee<br>Benefits | Total     |
|-----------------------------|--|-------------------------------|-----------|
| <b>As at March 31, 2019</b> | 92                                     | 7                             | 99        |
| Additions                   | –                                      | –                             | –         |
| Withdrawals                 | (19)                                   | –                             | (19)      |
| <b>As at March 31, 2020</b> | 73                                     | 7                             | 80        |
| Additions                   | –                                      | 9                             | 9         |
| Withdrawals                 | (43)                                   | (4)                           | (47)      |
| <b>As at March 31, 2021</b> | <b>30</b>                              | <b>12</b>                     | <b>42</b> |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

The following amounts have been accounted for as current under Other Liabilities and Accrued Income:

|                             | Pre-pension<br>Plan the<br>Netherlands | Other<br>Employee<br>Benefits | Total |
|-----------------------------|--|-------------------------------|-------|
| <b>As at March 31, 2021</b> | 16                                     | 5                             | 21    |
| As at March 31, 2020        | 19                                     | 5                             | 24    |

## 45. Audit Fees

In the 2020/2021 financial year, the following audit fees were charged by the independent auditor, PricewaterhouseCoopers Accountants NV, to the Income Statement in accordance with Section 382a Title 9 Book 2 of the Dutch Civil Code.

|                                   | 2020/2021  | 2019/2020  |
|-----------------------------------|------------|------------|
| Audit of the Financial Statements | 292        | 261        |
| Other Audit Services              | –          | –          |
| Tax Services                      | –          | –          |
| Other Non-Audit Services          | –          | –          |
| <b>Audit Fees</b>                 | <b>292</b> | <b>261</b> |

The total costs of PricewaterhouseCoopers Accountants NV for their procedures in the Netherlands amount to € 208 (previous year: € 180). The remaining € 84 (previous year: € 81) were charged to the Company by other PwC network entities.

## 46. Other Disclosures

## SUBSEQUENT EVENTS

No events took place after the reporting period that could materially affect the financial statements.

## WRITTEN GUARANTEE

Holland Colours NV has given a guarantee for its subsidiary Holland Colours Europe BV in accordance with Section 403, Title 9, Book 2 of the Dutch Civil Code, and according to Section 479A of the Companies Act on behalf of its subsidiary Holland Colours UK Ltd.

Holland Colours NV has not issued any other written guarantee as security for the payment obligations of foreign companies.

## OTHER INFORMATION

The Company forms a tax unity together with Holland Colours Europe BV with regard to income tax and sales tax. Both the Company and its subsidiary are jointly and severally liable for tax payable by all companies that are part of the tax entity.

Apeldoorn, June 3, 2021

## Board of Management

Coen Vinke  
Tanja van Dinteren  
Eelco van Hamersveld

## Supervisory Board

Roland Zoomers  
Gert-Hein de Heer  
Aukje Doornbos  
Jorrit Klaus

# OTHER INFORMATION

## Independent Auditor's Report

To: the General Meeting and the Supervisory Board of Holland Colours NV.

### REPORT ON THE FINANCIAL STATEMENTS 2020/2021

#### Our opinion

In our opinion:

- the consolidated financial statements of Holland Colours NV together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as of March 31, 2021, and of its result and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Holland Colours NV ('the Company') give a true and fair view of the financial position of the Company as of March 31, 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2020/2021 of Holland Colours NV, Apeldoorn. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as of March 31, 2021;
- the following statements for the financial year ended March 31, 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company income statement for the financial year ended March 31, 2021;
- the company balance sheet as of March 31, 2021 before proposed profit appropriation; and
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

#### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Holland Colours NV in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

#### Our audit approach

##### *Overview and context*

Holland Colours NV manufactures, distributes, and sells solid and liquid color- and additive concentrates. The Group is comprised of several components and we considered the scope and approach of our audit as set out in the section



## OTHER INFORMATION

'The scope of our Group audit.' We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 3 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the estimation uncertainty, magnitude and the related inherent risks of material misstatement in the valuation of inventory, we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, we identified revenue recognition as a key audit matter because of the various price agreements and terms and conditions for delivery of the product to customers. There have been no important changes in the key audit matters assessment because of the long-term nature of the Group business activities.

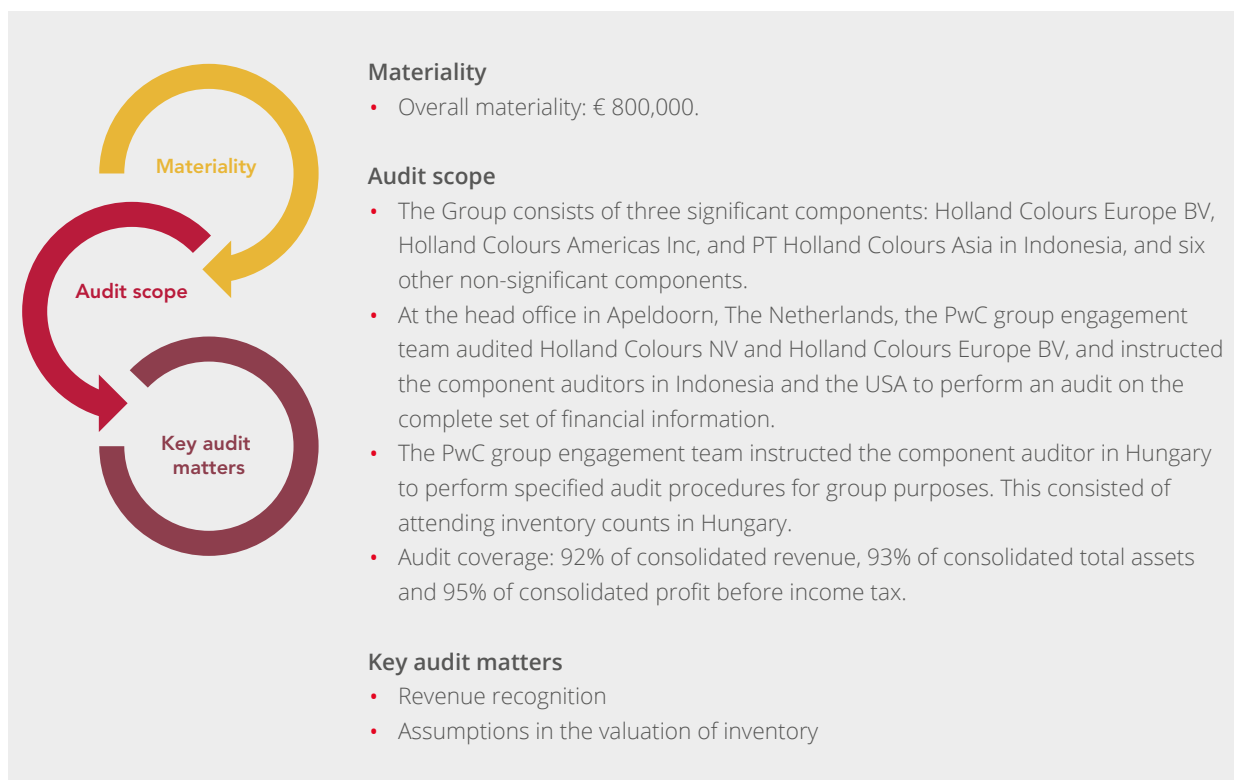
Another area of focus, not considered to be a key audit matter, was the impact of the COVID-19 pandemic on the valuation of assets and the Company's ability to continue as a going concern. The impact of the COVID-19 pandemic is described in note 2 of the financial statements.

As in all our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Board of Management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both Group and component level included the appropriate skills and

competences that are needed for the audit of an international manufacturing company. To increase the quality of the audit, we also included IT specialists in our team, who, working centrally, performed specified audit procedures on IT and reported the findings to the component teams.

The outline of our audit approach was as follows:



## OTHER INFORMATION

*Materiality*

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements.'

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing, and extent of our audit procedures on the individual financial-statement line items and disclosures, and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and in our opinion.

|  |   |
|--|---|
| <b>Overall Group materiality</b>         | € 800,000 (2019/2020: € 850,000).   |
| <b>Basis for determining materiality</b> | We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.85% of net revenue from continuing operations rounded to € 800,000.  |
| <b>Rationale for benchmark applied</b>   | We used revenue as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. From a stakeholder's perspective, the long-term horizon and sustainable growth are reflected through the consideration of revenue. The Company has a strategic focus on extending global market positions and the focus on revenue therefore makes revenue in itself an important metric for the financial performance of the Company. The negative impact of the COVID-19 pandemic on the Company's revenue does not change this metric. |
| <b>Component materiality</b>             | Based on our judgement, we allocate materiality to each component in our audit scope. The materiality allocated amounts to less than that of our overall Group materiality. The range of materiality allocated across components was between € 480,000 and € 799,000.   |

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them any misstatements identified during our audit above € 40,000 (2019/2020: € 42,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

*The scope of our Group audit*

Holland Colours NV is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Holland Colours NV.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of

## OTHER INFORMATION

operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall Group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The audit primarily focused on the significant components of the Group: Holland Colours NV (company only), Holland Colours Europe BV, Holland Colours Americas Inc., and PT Holland Colours Asia. Due to their significance within the Group, an audit of the complete set of financial information was performed on these components.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

|                          |     |
|--------------------------|-----|
| <b>Revenue</b>           | 92% |
| <b>Total assets</b>      | 93% |
| <b>Profit before tax</b> | 95% |

None of the remaining components represented more than 3% of Group Revenue, Total assets or Profit before tax. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The Group engagement team performed the audit work for Group entities Holland Colours NV and Holland Colours Europe BV. For the components Holland Colours Americas Inc. and PT Holland Colours Asia, as well as for the stock count procedures relating to the inventory of Holland Colours Europe BV in Hungary, we used component auditors from the PwC network. These auditors are familiar with the local laws and regulations required to perform this audit work.

Where component auditors performed the audit, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included, amongst others, our risk analysis, materiality, and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied, and our global audit approach. We had individual calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed any significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters that could be of relevance for the consolidated financial statements.

The Group engagement team performed the audit work on the Group consolidation, financial statement disclosures and a number of more complex items at the head office. These included lease accounting and the going concern analysis.

By performing the procedures outlined above at the components, combined with additional procedures exercised at Group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we describe the key audit matters and included a summary of the audit procedures we performed on those matters.

## OTHER INFORMATION

| Key audit matter  | Our audit work and observations   |
|---|---|
| <p><b>Revenue recognition</b></p> <p><i>The accounting principles for revenue recognition are included in “Summary of accounting principles” (note 3) in the financial statements.</i></p> <p>Revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service. A contract with a customer generally has one performance obligation, which is satisfied at a certain point in time.</p> <p>The Group applies price agreements per customer and various terms and conditions for delivery of its products to customers. Given the variety in terms and conditions for delivery, determining the timing of transfer of control of the promised goods is inherently complex and due to the magnitude, the number of transactions and the client specific price agreements, this could potentially lead to materially misstated revenue. Therefore, we considered revenue recognition to be a key audit matter.</p> | <p>We updated our understanding of the Group's revenue recognition policies and evaluated the design and implementation of the internal control procedures regarding accuracy and cut-off of revenue.</p> <p>We evaluated the design and tested the operating effectiveness of the control activities on the exception report to ensure the accuracy of revenue recognition. In this exception report, created by the Group, deviations between order prices and invoiced prices and shipped quantities and invoiced quantities were identified, explained, and followed up.</p> <p>We obtained the exception report and, together with IT specialists, assessed the reliability of the report by reconciling the exception report to the financial administration. We reperformed the analysis and evaluated the outcome and the follow-up by the Group.</p> <p>Furthermore, we performed substantive audit procedures to establish the accuracy of revenue accounting. This involved reconciling a sample of invoices to order confirmations and/or any discount agreements, shipping documents, and bank receipts.</p> <p>With respect to the cut-off, we obtained the Group's revenue recognition analysis. We then tested the mathematical accuracy and the reliability of the underlying data by reconciling the analysis to the invoiced revenue in the last period, and the revenue adjustment to the journal entry recorded. In addition, we tested a sample of the sales transactions in the period immediately before and after the Company's year-end. We did this by tracing the information related to the date of transfer of control to shipping documents and client specific contractual terms and conditions.</p> <p>The audit procedures were performed by the Group engagement team or by the component teams in Indonesia and the USA.</p> <p>Our procedures did not result in material findings.</p> |

## OTHER INFORMATION

| Key audit matter  | Our audit work and observations  |
|---|--|
| <p><b>Assumptions in the valuation of inventory</b><br/> <i>The Board of Management's assumptions are included in note 17 of the financial statements.</i></p> <p>With a value of € 12.6 million (2019/2020: € 12.8 million), inventory is one of the significant assets of the Group. Due to its nature, it is subject to market developments that require management judgement. This management judgement especially relates to the valuation of raw materials that are subject to obsolescence due to changing recipes, and to finished goods that are produced for specific clients (including the surcharge for overhead). At year-end, this is reflected in the valuation against the net realizable value, through recognition of an inventory allowance of € 1.0 million.</p> <p>Marking products as (partly) obsolescent is based on a inventory report and the assessment whether inventory will be sold, which requires management's judgement. Inaccurate pricing and/or obsolescence assessment may, given the significant balance of inventory, result in the inventory being materially misstated. Therefore, we considered this to be a key audit matter.</p> | <p>As part of our risk assessment procedures, we performed look-back procedures to assess the quality of management estimates. This involved comparing the actual write-offs in the current financial year to the inventory allowance in previous years' financial statements.</p> <p>We also performed substantive audit procedures on the calculation of the standard cost prices against which the inventory is initially valued. This included testing a sample of components in the standard cost price of finished goods by reconciling the raw material component to purchase invoices. In addition, we tested the surcharge for overhead by performing analytical procedures. Here, we compared our expectation with the actual surcharge for overhead included in the inventory valuation as of March 31, 2021. Furthermore, we performed an overall analysis of price- and efficiency variances recorded during the year to test the accuracy of the costing method used for finished goods.</p> <p>We tested the reliability of the inventory aging report together with IT specialists. This report is used by management to assess the aging of the inventory. We challenged the Group's assumptions related to the valuation per aging category based on actual write-offs and the actual developments in inventory aging. We reviewed revenue on product level for negative margins, which could indicate a lower market value, and discussed developments in the product portfolio and pricing.</p> <p>The impact of the COVID-19 pandemic was considered in our audit procedures, however the impact on the valuation of the inventory is considered not material.</p> <p>Our procedures did not result in material findings.</p> |

## OTHER INFORMATION

**REPORT ON THE OTHER INFORMATION INCLUDED  
IN THE ANNUAL REPORT**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Introduction by the CEO;
- About Holland Colours;
- Report of the Board of Management;
- Corporate Governance;
- Report of the Supervisory Board;
- Remuneration Report;
- Employee Participation;
- Five-Year Summary;
- Investor Relations;
- Other Information;
- Our Organization;
- Contact.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the Report of the Board of Management and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

**REPORT ON OTHER LEGAL AND REGULATORY  
REQUIREMENTS****Our appointment**

We were appointed as auditors of Holland Colours NV on July 10, 2014, by the Supervisory Board. This followed the passing of a resolution by the shareholders at the annual general meeting held on July 10, 2014. Our appointment has been renewed by shareholders annually and now represents a total period of uninterrupted engagement of seven years.

**No prohibited non-audit services**

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

**Services rendered**

In addition to the audit, we have provided no services to the Company or its controlled entities for the period to which our statutory audit relates.

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS  
AND THE AUDIT****Responsibilities of the Board of Management and the  
Supervisory Board for the financial statements**

The Board of Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going-concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or it has no realistic alternative but to do so. The Board of Management should disclose in the financial statements any events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

## OTHER INFORMATION

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, June 3, 2021

**PricewaterhouseCoopers Accountants N.V.**

*Original signed by W.F.J. Vermeulen RA*



## OTHER INFORMATION

## Appendix to our auditor's report on the financial statements 2020/2021 of Holland Colours NV

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have exercised professional judgement and have maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements, and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error; designing and performing audit procedures responsive to those risks; and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Deciding the appropriateness of the Board of Management's use of the going concern basis of accounting, and, based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure, and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision, and performance of the

Group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of Group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected Group entities for which an audit or review of financial information or specific balances was considered necessary.

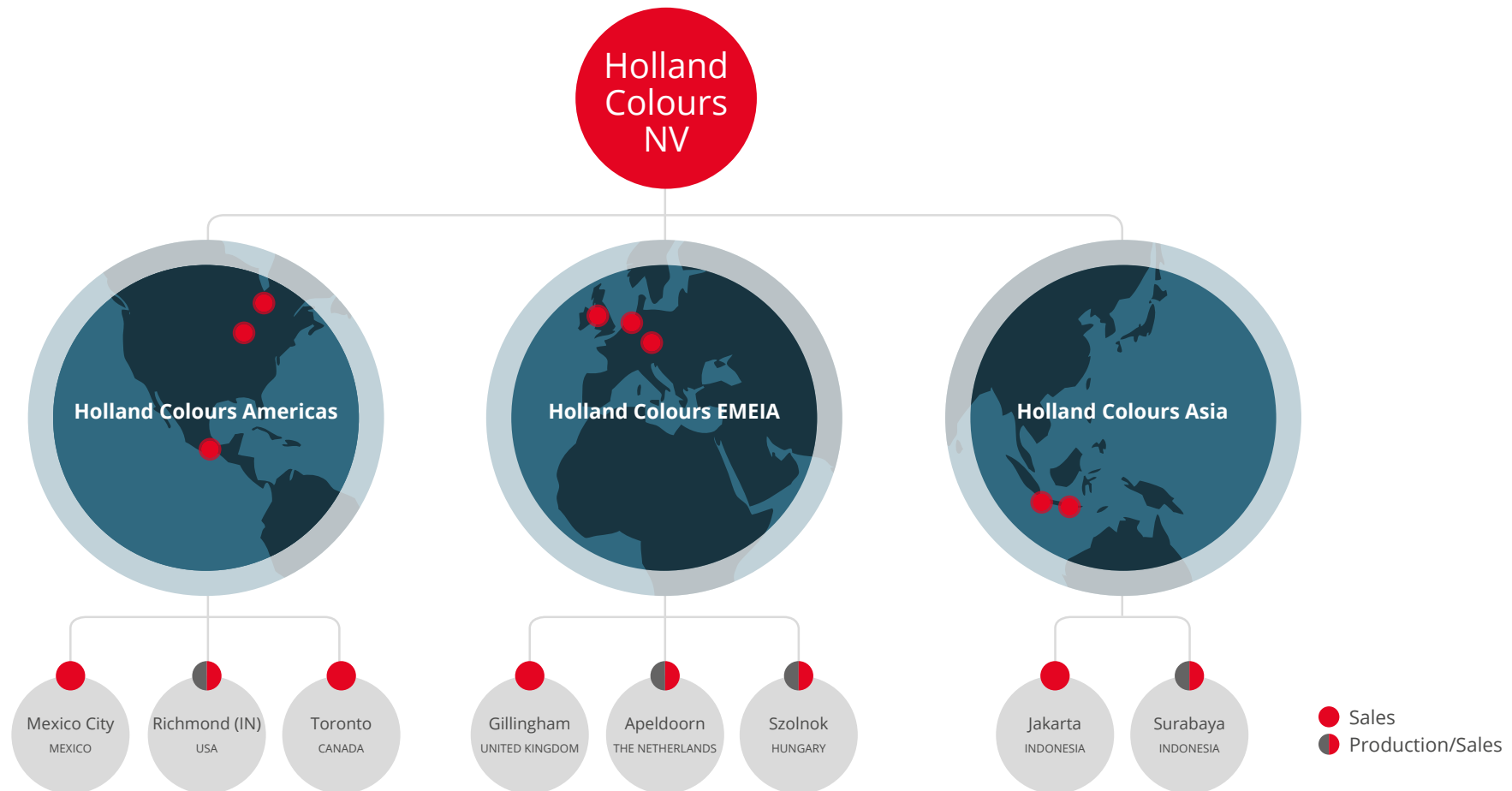
We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

## OTHER INFORMATION

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless either law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, not communicating the matter is in the public interest.

# OUR ORGANIZATION



# CONTACT

## HOLLAND COLOURS NV

Halvemaanweg 1  
7323 RW Apeldoorn  
P.O. Box 720  
7300 AS Apeldoorn  
The Netherlands

T (31) 55-368 0700

E info@hollandcolours.com

Chamber of Commerce 08036180

## HOLLAND COLOURS EUROPE BV

Halvemaanweg 1  
7323 RW Apeldoorn  
P.O. Box 720  
7300 AS Apeldoorn  
The Netherlands

T (31) 55-368 0700

E info@hollandcolours.com

## HOLLAND COLOURS UK LTD

Unit 16/17/18, Sabre Court  
Valentine Close, Gillingham Business Park  
Gillingham, Kent ME8 0RW  
United Kingdom

T (44) 1634-388 727

E uk@hollandcolours.com

## HOLLAND COLOURS HUNGARIA KFT

Déri Miksa körút 2  
P.O. Box 8  
5000 Szolnok  
Hungary

T (36) 56-420 644

E szolnok@hollandcolours.com

## HOLLAND COLOURS AMERICAS INC

1501 Progress Drive  
Richmond, Indiana, 47374  
USA

T (1) 765-935 0329

Toll-free (1) 800-723-0329

E richmond@hollandcolours.com

## HOLLAND COLOURS CANADA INC

200 Consumers Rd, Suite 303  
Toronto, Ontario M2J 4R4  
Canada

T (1) 416-449 4344

Toll-free (1) 800-361 3967

E canada@hollandcolours.com

## HOLLAND COLOURS MEXICANA SA DE CV

Tezosomoc #4  
(Bodega 3)  
Col. Recursos Hidráulicos  
Tultitlán, Edo de México  
México  
CP 54913

T 52 (55) 58-94-36-41

E mexico@hollandcolours.com

## PT HOLLAND COLOURS ASIA

Jl. Berbek Industri II/2  
(Surabaya Industrial Estate Rungkut)  
Sidoarjo 61256-East Java  
Indonesia

T (62) 31-849 3939

E surabaya@hollandcolours.com

Export department Surabaya:

T (62) 31-841 1 801

E exportasia@hollandcolours.com

Jl. Industri III/88 Blok A1-3  
Kompl. Industri Facto, Jatake  
Tangerang 15136-West Java  
Indonesia

T (62) 21-590 5135

## PT HOLCO INDO JAYA

Jl. Berbek Industri IV No 1  
(Surabaya Industrial Estate Rungkut)  
Sidoarjo 61256-East Java  
Indonesia

T (62) 31-849 3939

E indojaya@hollandcolours.com